Gresham House
Specialist investment

Stewardship Code Report

For the year to 31 December 2023

Contents

Disclaimer / Important Information

This Stewardship Code Report is issued by Gresham House Asset Management Limited (GHAM) which is authorised and regulated by the Financial Conduct Authority (FCA). Its registered office is at 5 New Street Square, London EC4A 3TW.

The Report pertains to the United Kingdom entities of the Gresham House Limited Group of Companies (together "Gresham House" or the "business") with specific reference to the regulated entity Gresham House Asset Management Limited ("GHAM" or the "Firm").

Please contact a member of the Gresham House team if you wish to provide feedback on this document. Gresham House is committed to meeting the needs and expectations of all stakeholders and welcomes any suggestions to improve its service delivery.

www.greshamhouse.com

This report has been reviewed and approved by the GHAM Board and signed by the Chief Executive.

This report focuses on the stewardship activities within our UK business, Gresham House Asset Management Limited (GHAM), and not those of Gresham House Asset Management Ireland Ltd, regulated by the Central Bank of Ireland.

Gresham House
Specialist investment

Alignment of report with Stewardship Code principles

1. Foreword

Welcome to our 2023 Stewardship Code Report, which outlines how we meet the 12 stewardship principles, sets out our 2023 achievements, our focus for 2024, and how we have continued to improve the integration of stewardship activities into our investment processes.

Gresham House's purpose is to deliver effective and alternative investment solutions to help clients achieve their financial objectives while contributing towards the transition to a more sustainable economy.

Our purpose relies on and includes the application and management of stewardship activities such as environmental, social and governance (ESG) integration, engagement and voting.

Being an active steward of our clients' assets is a key part of creating and protecting long term value across both financial and sustainability objectives.

Developments in stewardship activities

While market forces, particularly elevated interest rates, presented challenges for sustainable investing, over the last 12 months we continued to build on our strong sustainability credentials.

We recognise that the successful development of our business is contingent on how well we can continue to integrate sustainability into our business practices and investment strategies alongside driving strong financial returns for our clients.

We are clear on how our active ownership responsibilities help our clients achieve their financial and sustainability objectives. Over the last 12 months we have continued to engage with all material stakeholders that could influence long-term value, such as local communities, product suppliers and governments.

Against that backdrop, I am pleased to report just a few of our accomplishments during the last year:

- Received 4 or 5 stars, out of a maximum of 5 stars, for all modules relevant to Gresham House for our 2022 Principles for Responsible Investment (PRI) Report.
- Published our fourth Sustainable Investment Report, containing case studies, measurements of what we have achieved and key sustainable investment milestones.
- Enhanced our analysis of physical and transition climate risks facing our Real Assets division. This will be included in our second Task Force on Climate-Related Financial Disclosures (TCFD) report, to be published on our website in Q2 2024.
- Responded to 11 sustainability-related government or regulator consultations, including on the development of the UK's Sustainability Disclosure Requirements (SDR).
- Reviewed and updated our **Public Equity** engagement approach to broaden our ESG monitoring and engagement process to cover a wider variety of issues.
- Undertook our third annual **Private Equity** ESG survey to understand how the unquoted investments held within our VCT portfolios are responding to relevant ESG risks and opportunities and how these are considered as part of their operations.
- Implemented our third annual **Forestry** Woodland Manager Questionnaire to improve the quality and quantity of sustainability-related data that we collect from woodland managers.
- Within **New Energy**, we engaged with key industry bodies and government representatives including the Department for Energy Security and Net Zero (DESNZ) to encourage policies and regulation that support accelerated decarbonisation of energy systems and the technologies that underly the transition to net-zero emissions.
- Within **Sustainable Infrastructure**, we launched a fund dedicated to supporting the creation of biodiversity net gain (BNG) units that can be sold to developers who require it to satisfy planning obligations in England, and/or to corporates who wish to become nature positive.

- Our **Real Estate** division took the decision to cap the 2023 shared ownership rent increase below the contractual level, helping to reduce the cost-of-living pressure on residents.

The importance of our people

Our people are our greatest asset and are integral to all that Gresham House achieves. We acknowledge the importance within a successful organisation is primarily to provide a thriving meritocratic framework.

We aim to build a diverse and inclusive workplace to attract and retain individuals aligned to our business ambitions. We believe in placing sustainability at the heart of that culture and in 2023 we took further steps to continue building an environment in which everyone can thrive. Examples include:

- Introducing an annual company funded health assessment to enable employees to take a proactive approach to their health.
- Delivering resilience training to all employees through an external provider.
- Training additional mental health first aiders to increase employee support and prompt greater office communication around the importance of mental health.
- Introducing specific guidelines for recruiters to source roles from a broader range of talent channels.
- Enhancing our Human Resources systems to improve the quality of DEI data collection.

A new era for Gresham House

At the end of 2023, Gresham House was acquired by Searchlight Capital Partners and became a privately owned company.

We believe that our new ownership structure will enable us to accelerate our growth ambitions and increase opportunities for continuing strong investment returns across multiple strategies, asset classes and regions.

As we move forward with the same talented team of employees and our entrepreneurial culture, we remain committed to responsibly allocating and managing capital to deliver effective and alternative investment solutions that help clients achieve their financial objectives while contributing to the transition to a more sustainable economy.

Tony Dalwood
Chief Executive

2. Introduction to Gresham House

2.1 About us

Gresham House (the "firm", "Group", "us", "we", "our") is a specialist alternative asset manager. We provide investors with a range of investment products, across real assets, public equity and private equity. Gresham House's purpose is to deliver effective and alternative investment solutions to help clients achieve their financial objectives while contributing towards the transition to a more sustainable economy. We are creating an asset to covet, for our shareholders, clients and employees, delivering value both through financial returns and our focus on sustainability.

We have a rich heritage; the Firm was first incorporated under the name of Gresham House Estates Limited in May 1857. In December 2014, a new management team led by Chief Executive Officer Tony Dalwood, who had an ambitious vision for the firm, was established, transforming Gresham House into the specialist alternative asset manager it is today.

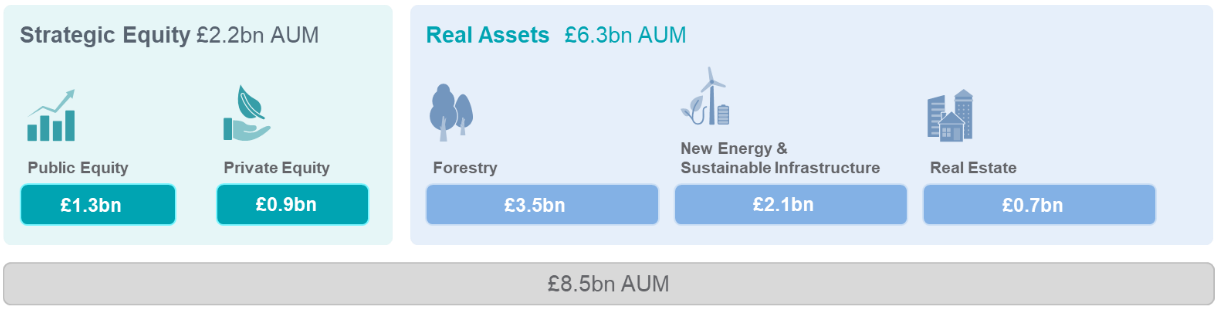
Since then, the firm has grown substantially through a combination of acquisitions and organic growth. Various acquisitions have been successfully integrated into the Gresham House Group as part of our strategic plan to diversify the business and broaden our asset-class capabilities in order to offer specialist alternative investment products to clients. At the end of 2023, Gresham House was acquired by Searchlight Capital Partners and became a privately owned company.

2.2 Our assets

We actively manage £8.5bn of assets (as at 31 Dec 2023) on behalf of institutions, family offices, charities and endowments, private individuals and their advisers.

2.2.1 Group divisional allocation

Assets under management (AUM) are split across Strategic Equity and Real Assets:



As at 31 December 2023. These figures include £525mn AUM from Gresham House Asset Management Ireland Limited (GHAM Ireland Ltd) which is not covered by this UK Stewardship Code Report.

2.2.2 Gresham House Asset Management (GHAM) geographical allocation

Our assets are predominantly in the UK but we have some forestry assets in Australia, New Zealand and Ireland:

AUM by geography[1]

United Kingdom	Ireland	Australia	New Zealand
86%	8%	5%	1%

1. As at 31 December 2023. These figures include £525mn AUM from Gresham House Asset Management Ireland Limited (GHAM Ireland Ltd) which is not covered by this UK Stewardship Code Report.

2.2.3 Identification of sustainable investment approach

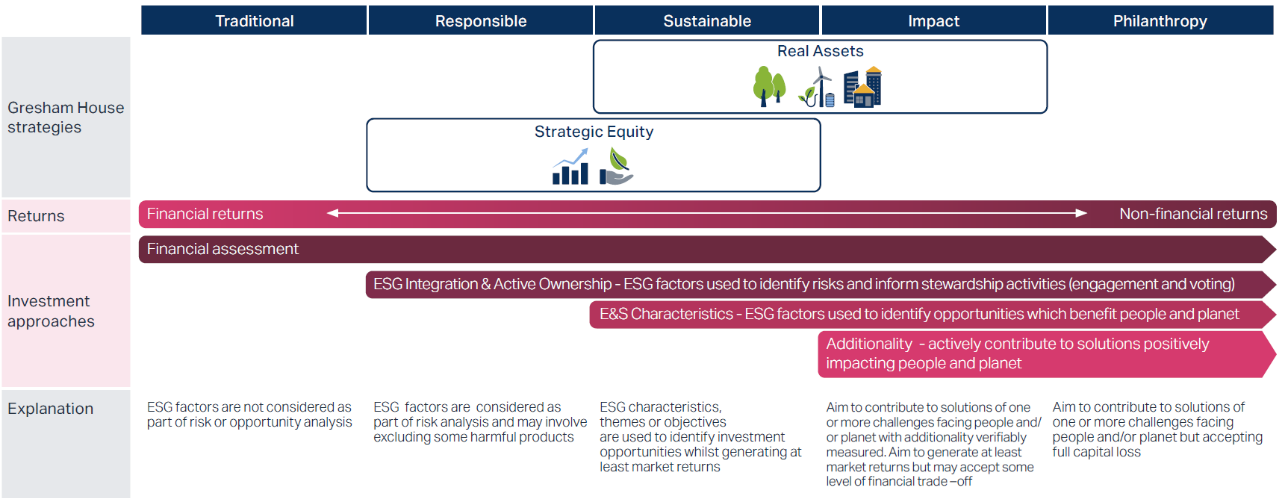
The Spectrum of Capital, as shown below, explains the difference between certain investment strategies and how ESG analysis and stewardship activities (engagement and voting) are used within the investment process.

It ranges from 'Traditional' investment, which is entirely focused on financial returns, to 'Philanthropy', which focuses only on non-financial returns such that investors accept full loss of capital invested.

All our investment solutions incorporate ESG analysis into our selection, evaluation, governance, and engagement processes across the lifecycle of each investment. However, some of our assets target specific environmental or societal benefits.

We use the below spectrum of capital to identify the sustainable investment approach applied to our asset divisions. It shows that our asset divisions provide investment solutions classed as 'Responsible' through to 'Impact'.

Integrating sustainable investment practices, including ESG analysis and stewardship activities, across our strategies, has a clear fit with making an active contribution to the sustainability agenda at a global, local and asset level over the long term.



Evolution of terminology

We recognise that there will continue to be significant regulatory focus on sustainable investing in the coming years, such as through the UK Sustainability Disclosure Requirements (SDR) and EU Sustainable Finance Disclosure Regulation (SFDR). Given this push to standardise sustainability terminology, we anticipate that some of the terms used in this spectrum of capital will evolve in line with these regulatory requirements over time.

2.3 Our culture

Our business mission is to deliver strong, consistent financial performance in alternative investments and align ourselves to our clients' and shareholders' long-term objectives.

Sustainable investment is integrated across all our investment strategies and includes the integration of Environmental, Social and Governance (ESG) and application of active stewardship, including engagement and voting. We strongly believe that these aspects of sustainable investment are central to the future growth of our business.

We promote a culture of individual flair and entrepreneurial thought, in which performance and results are recognised and rewarded. Our culture empowers our people to design and implement alternative investment solutions capable of building a sustainable future and ensuring ESG considerations remain front and centre in our thinking.

Our purpose

Deliver effective and alternative investment solutions to help clients achieve their financial objectives while contributing towards the transition to a more sustainable economy.

Sustainability beliefs

Our commitment to sustainability is based on a core set of beliefs that guides our strategic objectives, including our Corporate Sustainability Strategy, and investment approach. These are:

1. **Asset management has a critical role to play in the world's transition to a more sustainable economy…** We recognise our fiduciary duty to act with due care, skill and diligence, including encouraging high standards of ESG performance and supporting the stability and resilience of the financial system by allocating capital responsibly to help build a more sustainable economy.

2. **… this creates compelling alternative investment opportunities.** Alternative assets that contribute to environmental or social objectives will drive future growth for our investors through the development of new markets and accessing innovative private market solutions.

3. **Incorporating sustainability factors into investment decision-making protects value and drives resilience for all stakeholders.** Robust ESG analysis is used to help screen out investments that are less aligned to the transition to a more sustainable future and may therefore face increased costs, regulatory headwinds, negative publicity or increased employee turnover.

4. **Investors increasingly seek opportunities with the potential for both financial and ESG returns.** Gresham House is committed to providing investment solutions to help clients achieve their financial objectives whilst making a meaningful contribution to the transition to a more sustainable economy.

These beliefs are complemented by our definitions of what sustainability means to us as an investor, as a business and employer, and as a corporate citizen.

What sustainability means to Gresham House as:

An Investor

Delivering value for investors by adopting a long-term approach that considers environmental, social and governance outcomes in our investment decision making and actions. We believe that sustainable investments drive returns because they are good for people and the planet.

A Business & Employer

Driving shareholder value by having a positive influence on the environment and societies our business and our people are a part of. We do this through prudent management of financial, social, and environmental risks and opportunities, while providing a supportive workplace, free from discrimination, where our employees can add value and develop personally and professionally.

A Corporate Citizen

Recognising and honouring our legal, moral, and economic responsibilities to the communities in which we operate. We aim to contribute positively to society by acting ethically, with integrity, giving back, and ensuring the long term social and environmental viability of our operations.

2.4 Our values

Our values are critical to the success of the firm and provide a platform for our staff to develop both individually and as a Group:

Ambitious
We are driven, ambitious and reflective. We take decisions based on robust analysis and in-depth research, while always ensuring we look back on our results with a critical eye to understand how to improve.

Dynamic
We act with purpose and urgency and are dedicated to creating shareholder and investor value through innovative investment solutions that tackle environmental and social challenges.

Meritocratic
We recognise and develop talent from a range of backgrounds to help us be innovative, forward thinking and ultimately to deliver the best for all our stakeholders.

Empowered
We have created a culture based on empowering individual flair and entrepreneurial thinking.

Collaborative
We work together for the long-term benefit of our clients, shareholders and society. We also work proactively with management teams and key stakeholders to instigate positive change.

Authentic

We are committed to building a sustainable future through authentic alignment of our actions to our purpose, including implementation, monitoring and reporting. We pride ourselves on being honest about our key strengths whilst understanding where improvements are needed.

The culture, purpose, beliefs, and values set out above drive, our sustainable investment approach and our Corporate Sustainability Strategy (CSS).

We believe these elements enable effective stewardship, demonstrated in the following section (3.2. Achievements in 2023), whereby we highlight the progress we have made in 2023 against our CSS and the positive real-world outcomes associated with our investment activities.

We continue to consider the extent to which our sustainable investment approach meets the requirements of key stakeholders and maintain open dialogue with them to ensure our approach continues to support their interests and requirements.

3. Strategic direction in sustainability

3.1 Corporate Sustainability Strategy

Our Corporate Sustainability Strategy supports our GH30 strategic objective "to be the manager of choice for sustainable investment client solutions". Our aim is to lead by example through our internal commitments to sustainability and align our actions with our corporate purpose.

The Corporate Sustainability Strategy was developed through an internal research, analysis and strategy process and aims to identify underlying objectives, as well as set out the actions we will take to meet our sustainability goals.

Its implementation will see us enhance our position as a recognised leader in sustainable investment, which in our sector means a core focus on ESG investment goals.

ESG factors are front-of-mind value drivers, both in the investment world, and in policy and business. As an asset manager, being able to stand up with a strategy based on meaningful and impactful targets is vital to demonstrating our expertise and integrity in this evolving landscape.

Drivers of the Corporate Sustainability Strategy

1. **Growth creation.** Sustainability drives innovation, enabling us to access new markets, products and customers.
2. **License to operate.** Sustainability strategies and a focus on ESG are increasingly viewed as a license to operate for asset managers.
3. **Value protection.** A robust strategy mitigates sustainability-related risks, including regulatory and reputational risk.
4. **Efficiency improvements.** Sustainability-related costs, including water and waste, and employee turnover and recruitment costs, can be decreased.
5. **Stakeholder requirements.** Our commitments support and reassure stakeholders in the delivery of their own sustainability strategies.

Three core pillars

The Corporate Sustainability Strategy is shaped around three interconnected and mutually reinforcing pillars, based on our roles as an organisation. It distinguishes clearly between our approach to sustainability within our investments, **Gresham House as a Sustainable Investor**, and that of our own operations and business, **Gresham House as a Sustainable Employer and Business**.

We also separated our charitable approach into a third pillar, **Gresham House as a Sustainable Corporate Citizen**, to highlight the contribution Gresham House offers to the society it is a part of through donations and volunteering.

Our Sustainable Investment Report provides further details on all three pillars.

3.2 Achievements in 2023

3.2.1 What we've done and what's next

We are proud of the progress made in 2023, but the work does not stop here. We will continue to deliver on our Corporate Sustainability Strategy and ambition to be at the forefront of the sustainable investment industry.

The roadmap on the next page shows the considerable progress we have made in the past few years and what to expect in 2024.

We believe that our investment and stewardship activities have made real world environmental and social impact that meets our clients' investment needs, examples of which are also highlighted below.

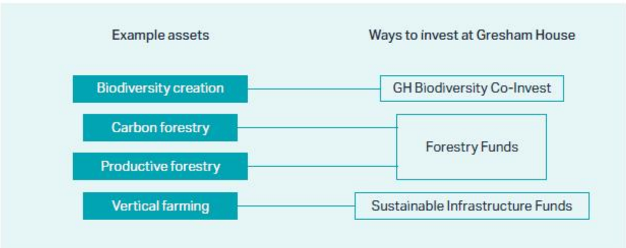
We will continue to invest in and develop new solutions that have positive real-world outcomes.

FY 2021 and prior	FY2022	FY2023	FY2024 and beyond
Sustainable Investment policies established	First reporting of operational and investment carbon emissions	First standalone TCFD report published	Formalise and communicate our net-zero strategy
Corporate Sustainability Strategy published	Climate risks formally integrated into Board processes	Began to develop our inaugural net-zero strategy	Undertake physical climate risk mapping of our Real Assets
First Sustainable Investment reports published	Embedded ESG KPI banks into each division	Mapped modern slavery risks across the supply chains of our Real Assets	Expand our range of natural capital solutions available to our clients
Sustainability Executive and Board Sustainability Committees established	Developed proprietary impact framework to be used by impact funds	Published our proprietary Impact Framework for Sustainable Infrastructure	Evolve our pre-investment ESG due diligence tools (ESG Decision Tools)
PRI reporting commenced with A and A+ scores across all entries	Enhanced ESG data using surveys, data platforms and specialist consultants	Internal Sustainability Working Group established to improve operational sustainability	Launch our first Article 9-compliant fund under EU Sustainable Finance Disclosure Regulation
Became signatories to the 2020 Stewardship Code	Launched our first Diversity, Equity & Inclusion (DEI) strategy		Categorise all in-scope funds under UK Sustainability Disclosure Requirements
Awarded Green Economy Mark from the London Stock Exchange			Evolve and enhance our approach to modern slavery and supply chain risks

Making a real-world impact

Natural capital

Investment proposition: Provide our clients with a platform of return-generating natural capital assets with established track records and across new nature markets

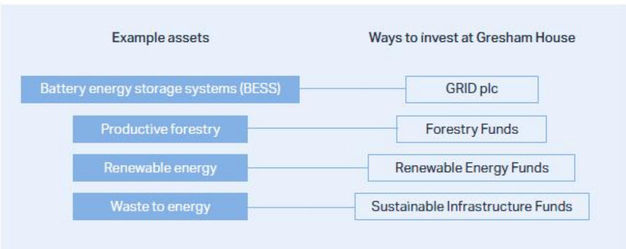


2023 real world impact

- 6.4mn trees planted in the year
- 1.6mn tonnes certified timber sold
- 469 hectares created to support nature recovery

Net-zero

Investment proposition: Support our clients' decarbonisation ambitions and the global transition to net-zero carbon emissions

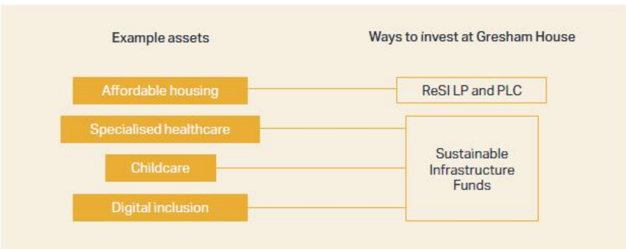


2023 real world impact

- 418 GWh renewable energy generated
- 668k tCO_2e avoided by our BESS assets
- 1.9mn tCO_2e sequestered by our forests

Social impact

Investment proposition: Invest in place-based solutions that generate local positive outcomes



2023 real world impact

- 168,000 premises passed with "ready for service" full fibre broadband
- 2,832 nursery places managed
- 100% shared ownership homes deemed affordable by The Good Economy

3.2.2 Public Equity

Achievements in 2023:

- Engagement approach reviewed and updated to broaden our ESG monitoring and engagement process to cover a wider variety of issues.
- Introduced an automated and repeatable engagement process that uses objective third-party data to proactively monitor and score ESG topics including 'live' carbon reporting and intensity and progress on net-zero policy to assist in identifying priority topics for engagement.
- Worked with ESG platform provider to improve the quality and quantity of company and fund-level ESG data available to investment team.

Actions for 2024:

- Introduce sector benchmarking of ESG metrics to better contextualise the scores of portfolio companies.
- Further expansion of the scope of ESG topics measured.

3.2.3 Private Equity

Achievements in 2023:

- Achieved five stars in UN-supported Principles for Responsible Investment (PRI) private equity module.
- Undertook our third annual ESG survey to understand how the unquoted investments held within our VCT portfolios are responding to relevant ESG risks and opportunities and how these are considered as part of their operations.
- Continued our ESG webinar series for the Chairs, CEOs and executives of unquoted and quoted investee businesses to enhance their knowledge of material ESG issues.
- Established an improved engagement process that is aligned with existing engagement tools, such as the ESG survey and webinar series.

Actions for 2024:

- Assist investment directors with meaningful engagements with investee businesses on ESG, with measurable results, demonstrating progress through 2024 ESG survey results.

3.2.4 Forestry

Achievements in 2023:

- Implemented our third Woodland Manager Questionnaire to improve the quality and quantity of sustainability-related data that we collect from woodland managers.
- Completed a consultation process for a planting scheme which integrated viewpoints from a wide array of stakeholders to gain local support for the scheme and ensure no grievances were raised about the final design.
- Continued to roll out the use of eDNA sampling to better understand the diversity of species present at our forestry sites.
- Continued involvement with industry on voluntary carbon market principles with the aim of ensuring a consistent global approach and fair, robust methodologies.

Actions for 2024:

- Progress biodiversity strategy including approaches to measure and set baselines for the biodiversity of forestry assets and meet Forestry Charter commitments.
- Continue to develop more specific and focused Natural Capital investment solutions.

3.2.5 New Energy

Achievements in 2023:

- Engaged with key industry bodies and government representatives including the Department for Energy Security and Net Zero (DESNZ) to encourage policies and regulation that support accelerated decarbonisation of energy systems and the technologies that underly the transition to net-zero emissions.
- Joined Solar Energy UK's Responsible Sourcing Steering Group which aims to work with key stakeholders to implement responsible sourcing programmes throughout the supply chain.
- Community engagement during planning process of solar park to provide upfront and recurring payments aimed at assisting the local community in achieving its objectives.

Actions for 2024:

- Review, evaluate and update our supply chain policies across each of our New Energy asset types, ensuring they effectively address material risks and upcoming regulation.
- Undertake additional ESG due diligence on our core suppliers in line with our updated policies and industry standards.

3.2.6 Sustainable Infrastructure

Achievements in 2023:

- Achieved five stars in UN-supported Principles for Responsible Investment (PRI) private equity module.
- Published our impact framework that outlines how we understand, monitor and articulate the impact of the division's investments.
- Continued our work as a signatory of the Just Transition Finance Challenge, which aims to mobilise public and private capital into investments that support a Just Transition to Net Zero in the UK and other markets.
- Launched a fund dedicated to supporting the creation of biodiversity net gain (BNG) units that can be sold to developers who require it to satisfy planning obligations in England, and/or to corporates who wish to become nature positive.

Actions for 2024:

- Advance progress on delivering a just transition through our investments, including through additional enhanced community engagement.
- Benchmark carbon footprint for each Sustainable Infrastructure asset and engage with businesses to set net-zero strategies.
- Develop additional Natural Capital investment solutions.

3.2.7 Real Estate

Achievements in 2023:

- Took the decision to cap the 2023 shared ownership rent increase below the contractual level, helping to reduce the cost of living pressure on our residents.
- Worked with an independent impact consultant to produce an impact report that quantifies the impact generate by our housing funds during the year. This included interviews with residents to better understand their experiences of living in our homes.
- Updated Housing Sustainable Investment Framework to better identify where we believe we should be directing our focus to achieve more sustainable outcomes for prospective and existing investments.
- ReSI LP signed a Sustainability Linked Loan (SLL) in with the Mitsubishi UFJ Financial Group (MUFG). ESG KPIs that align with the Fund's ESG strategy were agreed with the lender, with performance against these metrics to be reported on annually.
- Undertook GRESB submission process for the first time for two funds.

Actions for 2024:

- Broaden our environmental and social impact focus to include other areas such as biodiversity and natural capital.
- Enhance our impact framework for specific impact-focused UK Housing funds.

4. Our clients

At Gresham House, we strongly believe in prioritising the interests of our clients in all our processes. We partner with our clients to ensure that our current and future investment solutions meet their financial and sustainability requirements, often tailoring bespoke solutions to meet their needs.

Throughout this report, we highlight how this principle has been embedded across our business, including in the management of conflicts of interests, voting, and employee processes.

4.1 Type

We split our clients into:

1. **Retail**[1] – which includes wholesale clients intermediated via discretionary wealth managers and Independent Financial Advisers (IFAs), and retail clients investing directly.
2. **Institutional** - including Pension Funds, Family Offices, Charities and Insurance Companies.

The tables below show how our clients invest across our asset divisions and where our clients are based across the World[2].

Investor type by AUM	Retail	47%
	Institutional	53%
Retail AUM by division	Public Equity	24%
	Private Equity	24%
	Forestry	35%
	Housing	5%
	New Energy and Sustainable Infrastructure	12%
Institutional AUM by division	Public Equity	3%
	Private Equity	2%
	Forestry	46%
	Housing	12%
	New Energy and Sustainable Infrastructure	36%
Geographical split of clients	UK	73%
	Europe ex-UK and Ireland	15%
	Ireland	6%
	Oceania	5%
	Other	1%

4.2 Feedback and communication

Effective communication with investors and other stakeholders is a crucial component of fulfilling our stewardship responsibilities and meeting our sustainable investment capabilities.

[1] At Gresham House, outside of the Stewardship Code Report which specifically refers to client categories of retail and institutional, we refer to our client base through two core categories: Wholesale and Institutional. Whilst Gresham House investment products are invested in by retail clients, who invest directly, the majority of Gresham House retail clients are accessed via wholesale channels, most commonly intermediated via wealth managers or financial advisors.

[2] All data as at 31st December 2023.

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We measure our success in meeting the needs of our clients through regular feedback we receive and organic growth in assets under management (AUM). Such feedback has often given rise to changes in process such as the structure and timing of Limited Partnership Investment Advisory Committee (LPIAC) meetings, incorporation of specific requests into investment mandates and improvements in reporting.

Retail

We manage c.£4.0bn (31 Dec 2023), for wholesale and retail clients across our five divisions. These include discretionary, advised and non-advised clients.

The primary means of communication is through factsheets, presentations and client reports for both listed and unlisted funds. The fund managers and the sales team regularly host roadshows to meet with discretionary and advisory wealth managers to discuss the strategies and to field questions.

This market is less mature in its awareness of sustainable investment than the institutional market. However, this is changing as an increasing number of wealth managers want to understand more about our sustainable investment approach and credentials. Across all our strategies, we generally share specific and relevant insights with our investors via commentary, as part of the funds' monthly factsheets, as well as via presentations.

These methods of engagement with investors ensures client views are heard and taken into account.

Case study: prospective client engagement on ESG

We continue to engage with potential clients regarding our sustainable investment approach, policies and commitments. This includes the completion of ESG due diligence questionnaires and one-to-one meetings with prospective and existing clients.

In 2023, we had two meetings with retail clients specifically on ESG topics and responded to eleven ESG questionnaires in the year. We use these meetings and questionnaires as an opportunity to explain our approach and ensure transparency with clients on sustainability topics. We also use such activities to learn from the questions being posed which contributes to future activities and evolution of our sustainable investment policies, processes and reporting.

Institutional

We manage c.£4.5bn (31 Dec 2023) of assets for institutional clients. We regularly communicate with these clients to understand their stewardship priorities and obtain feedback primarily through meetings, but also through ongoing due diligence reviews and periodic reporting.

These investors are typically limited partners in our funds and in some cases also members of the relevant Limited Partnership Investment Advisory Committee for those funds ("LPIAC"). The LPIACs meet with the fund manager regularly to review the portfolio and ensure that the investment teams are acting within the parameters of the investment guidelines. The LPIAC provides an open forum for discussion about both financial and sustainable investment drivers of an investment.

Our investors are also kept informed of our activities via quarterly and annual reports. These reports provide an overview of the holdings and any relevant ESG considerations. To support seamless and engaged reporting to our investors, Gresham House has invested in a proprietary online client portal designed to provide a high-quality reporting and information service to clients. Investors are therefore able to promptly see fund manager reports, raise any queries and have a central repository for all reporting.

In 2023, interest in Natural Capital continued to dominate the attention of investment committees as pension funds and insurers aim to accelerate their efforts towards Net-Zero whilst generating a return, diversifying their portfolio, and delivering positive outcomes for people and planet. Driven by demand, we hosted 83 investors and consultants at 9 proprietary events in 2023 and held a number of training sessions on a range of asset classes for a variety of investment committees and consultants.

We also presented at multiple industry events including Room 151's net zero Natural Capital Forum and Pension Fund Services LGPS Natural Capital event, where Rebecca Craddock-Taylor, Director of Sustainable Investment, laid out the imperative to mitigate and adapt to climate change through evolving nature markets.

On the ground, we hosted numerous site visits, including a viewing with a Local Government Pension Scheme to a habitat bank owned by a Sustainable Infrastructure portfolio company; Environment Bank Limited. The educational visit offered prospects a chance to gain hands-on experience of the asset along with the nature based, biodiversity net gain opportunity. For us, it provided an opportunity to demonstrate one of the key concepts of our natural capital offerings, in this case, contributing to the transition to a nature positive economy by protecting and restoring biodiversity through the creation of habitat banks.

During 2023, Gresham House assisted several institutional investors including the following two examples:

Case study: client visits to Fischer Farms

In 2023 Gresham House welcomed 25 investors (LGPS, Endowments, Asset Managers and Investment Consultants) to Farms 1 and 2 of Fischer Farms across two visits in January and November. Farm 1 (3,200m^2) became operational in 2021. Farm 2 (25,000m^2) is in its final commissioning phase, and will be the world's largest, fully automated vertical farm once completed.

In the visit to Farm 2, the group visited the growing rooms and processing lines, were able to see the automated storage and retrieval units, as well as the harvesting and re-seeding systems before the all-important taste test of the farm's produce.

Following this there were interactive presentations from Fischer Farms CEO and Founder, Tristan Fischer, and Greene King, customers of Fresh Direct, the buyer of Fischer Farms produce.

Attendees also had the opportunity to meet and hear from Professor David Hill from portfolio company Environment Bank Limited, a Sustainable Infrastructure portfolio investment that presents the opportunity to fund a new asset class that delivers biodiversity net gain units.

Case study: developing a bespoke investment solution with West Midlands Pension Fund

The West Midlands Pension Fund (WMPF) considers allocating capital to local investment opportunities to create positive real-world change that also delivers an attractive risk-adjusted return in line with its fiduciary duty. It believes that investing responsibly and engaging as long-term asset owners improves investment outcomes for its members.

We worked with WMPF to establish the West Midlands PF BSI LP vehicle to enable the fund to increase its exposure to specific sustainable infrastructure and housing investments in the West Midlands and neighbouring counties.

In addition to gaining exposure to Gresham House's British Sustainable Infrastructure Fund (BSIF) and BSI Housing LP, WMPF's commitments have been deployed to fund investments generating local impact into:

- The Locks: supporting the creation of 95 new affordable private rental sector (PRS) homes in central Wolverhampton.
- Greyfriars Court: supporting the conversion of an old office block into 85 new PRS units with solar PV and collocated energy storage in Coventry.
- Telcom: full fibre internet service provider targeting multi-dwelling units and office blocks in the Midlands and North of England. Telcom is targeting 125,000 customers by 2036.

- Environment Bank Ltd: supporting the creation of landscape-scale habitat banks in the West Midlands that deliver biodiversity net gain (BNG), enabling customers to meet their Environment Act obligations or for corporates to become nature positive.

4.3 Client Conflicts Policy

At Gresham House, we believe that the effective management of conflicts is critical to our sustainable investment approach and long-term business success. Conflicts, in our business, may arise between the Firm (or its employees) and its clients, or between clients of the Firm.

We define a conflict as a situation where Gresham House, or a related party to Gresham House, is:

- likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour, or compete with the interests of, one Gresham House fund, investor or group of investors over the interests of another Gresham House fund, investor or group of investors;
- carries on the same business as the client;
- receives or will receive from a person other than the client an inducement in relation to a service provided to Gresham House or any of its funds in the form of monies, goods or services, other than the standard commission or fee for that service; and
- in acting for a client in one situation compromises its actions or creates a perception that its actions may be compromised in acting for another client.

We have a robust conflicts of interest policy which describes the approach of Gresham House to identifying and managing conflicts. Our policy identifies a number of areas as inherently likely to give rise to a conflict:

- outside business interests and business suitability;
- interests in competitors, clients or suppliers;
- gifts and inducements; interests in transactions and personal account dealing;
- investments in managed funds;
- diversion of business opportunity;
- outside employment and business interests;
- employee loyalty;
- remuneration incentives; and
- use of third-party research.

We have controls to manage the risks arising from these areas of potential conflict including:

- Annual declarations of outside business interests by staff.
- Controls around the receipt or offer of gifts and hospitality.
- Controls around personal account dealing by staff and connected persons.
- Establishment of objective protocols for asset allocation between funds.
- Design of remuneration structures that align the interests of investors with investment managers

Where we have, or may have, a conflict of interest with a client, we take reasonable steps, acting in compliance with applicable law and regulation, to ensure fair treatment of the client. Where we believe that the arrangements in place are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented, we will inform the client of the nature or source of the conflict and the steps taken to mitigate those risks.

Responsibility for the policy rests with the senior management of the organisation. This policy is reviewed at least annually. A Conflicts Committee is also in place with senior managers from compliance, legal, finance and operations. Conflict matters are brought to the attention of the committee via a dedicated email address.

The Committee considers the issues and advises the relevant notifier or team accordingly. The objective is always to ensure the fair treatment of all clients.

All identified conflicts are maintained in the Conflicts Register by the Head of Compliance. The Conflicts Committee also ensures that mitigation controls for identified conflicts remain effective on an ongoing basis.

Case study: managing a potential conflict of interest with a private client

In 2023 we agreed an exclusivity for a private client portfolio which allowed Gresham House to identify a purchaser for the portfolio of assets, which is owned by private client X.

Given that private client X is also our client within our asset management arm of the business, the main concern from a conflict-of-interest perspective was that the acquisitions team could use information from owner side to ‘chip’ the price. As a result, we needed to be careful regarding information transfer and safeguard our client’s interests.

Information barriers were set up between the two sides and protected drives were available on request to ensure privacy for any information collated on behalf of the owner.

Briefings were provided to the respective teams that formed part of boundary groups as well as informing the broader division to eliminate the risk of people outside the boundary teams ‘leaking’ information. E.g. people will note that the status of the transaction on the progress update has changed. All information drives were reviewed and those that were openly shared we closed for availability limited to the boundary teams and as required by those teams.

Additionally, lines of communication were scoped out between the different teams, including information transfer lines via specified independent intermediaries (from the client side) and specifically not directly between Owner and Acquisition side boundary teams.

4.4 Appropriate time horizons

The investment time horizon of our funds is driven by the asset classes in which we invest and investment objectives of our clients.

The vast majority of our clients seek long-term, capital appreciating investments and our funds and portfolios are designed to meet these requirements. The table below summarises the time horizons for each asset division:

Asset division	Investment time horizon
Public Equity	3-5 years
Private Equity	5-7 years
Sustainable Infrastructure	8-10 years
Forestry	15+ years
New Energy	25+ years
Real Estate	10-40+ years

We share details on the chosen investment period of each fund, and what this means for investors in the objectives section of our fund documentation, including prospectuses and the Key Information Documents.

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5. Our people

Our people are our greatest asset and are integral to all that Gresham House achieves. We recognise that our people are the foundation of our success and we aim to create a culture where they can thrive.

All our people are expected to embody our purpose and culture which includes our commitment to sustainable investment, including stewardship activities. The investment teams are responsible for implementing our approach to sustainable investment led by the Sustainability Executive Committee (see section 6.1 for further details) and with the support of sustainable investing representatives for each division and the Sustainable Investment Team.

Gresham House has a dedicated three-person Sustainable Investment Team. The team was set up in 2020 through the hire of our Sustainable Investment Director and it was expanded to three people in 2021. The team is responsible for the continued development and integration of our existing sustainable investment policies and practices across both the Real Assets and Strategic Equity divisions.

The Sustainable Investment Director has direct access to the very highest levels of Gresham House and reports directly into a member of the Group Management Committee. The Sustainable Investment Director chairs the Sustainability Executive Committee and, prior to the acquisition of Gresham House by Searchlight Capital, reported to the Board Sustainability committee on a six-monthly basis.

Following the acquisition of Gresham House by Searchlight Capital Partners, the remit of the Sustainability Committee has been transferred to the full board, with regular agenda items covering sustainability matters, including ESG and climate related risks and opportunities.

The Sustainable Investment Director has over 12 years' experience within the sustainable investment industry and is a Fellow of the Institute of Actuaries (FIA); the Associate Director of Sustainable Investment has over eight years' experience and is a Chartered Financial Analyst (CFA®) charter holder.

5.1 Performance management

To lead a workforce committed and incentivised to support Gresham House's Sustainable Investment strategy, all employees, including our Group Management Committee, have non-financial targets relating to environmental, social and governance factors as part of their performance objectives. All employees will be assessed on these objectives as part of their end of year review and pay and bonuses will reflect if individuals have met the expected outcomes.

Involvement in this area will vary by type of role but all employees across the different departments, including back office, are expected to consider sustainability and how it impacts the work they do on a day-to-day basis.

The Remuneration Committee is responsible for determining how sustainability objectives and commitments, as well as other business objectives and targets, are integrated into the remuneration of the Group Management Committee.

20% of Group Management Committee members' annual variable compensation is linked to non-financial objectives and the achievement of Gresham House's sustainability ambitions. Examples of key performance indicators used to assess the achievement of this objective include:

- Sustainability agenda recognition.
- Consultant recognition.
- Industry/peer group awards.
- Execution on the Corporate Sustainability Strategy.

We believe these remuneration structures support the incentivisation of implementation against our sustainability commitments, policies, and objectives.

5.2 Training and development

Gresham House is committed to the development of our people, professionally and personally, which includes training on sustainability and stewardship.

Significant time has been dedicated to furthering sustainable investment awareness and knowledge of our staff throughout 2023, particularly for new joiners or teams acquired into the business. Training sessions throughout the year have included:

- Three “ESG Lunch & Learn” sessions covering how ESG creates value, Biodiversity Net Gain (BNG), and greenwashing.
- Including sustainable investment as part of the new joiner induction process.
- Continued carbon footprint training for the whole business.
- Training sessions on the Taskforce on Climate-Related Financial Disclosures (TCFD) for the Board, divisional heads and Group Management Committee (GMC).
- A range of additional, division-specific, training such as ESG best practice training for our Strategic Equity division, ESG training for our distribution teams, training on impact investing with our Sustainable Infrastructure team and Net Zero/Science Based Targets training with GMC.

Some of these training sessions were provided in partnership with external consultants.

5.3 Diversity, Equity and inclusion (DEI)

At Gresham House, we believe that diverse and inclusive teams support better investment decisions and investment performance. Gresham House has a Diversity, Equity & Inclusion policy which formalises this philosophy and details our DEI focus, definitions, responsibilities and commitments:

- To create an effective and happy team - a cultural objective of Gresham House.
- To recognise incorporating diversity of views as contributing to a performance-based culture and success in the creation of long-term shareholder value.
- To create an environment in which individual differences and the contributions of all team members are recognised and valued.
- To create and promote a meritocracy in which performance and results are the determinant of recognition and reward. To create a working environment that promotes dignity and respect for every employee.
- To not tolerate any form of intimidation, bullying, or harassment, and support those that have been discriminated against.
- To promote equal opportunity in the workplace, and make training, development, and progression opportunities available to all.
- To appropriately review all our employment practices and procedures to ensure that they are consistent with our cultural values.

Our approach aims to create an inclusive work culture, where diverse teams and individuals thrive to help us achieve our mission, through key actions:

- Building awareness across the organisation.
- Tackling unconscious bias through education and training.
- Instilling inclusive leadership in managerial practices.
- Supporting under-represented groups.

Our aim is to ensure that all employees and candidates are given equal opportunity and to ensure our business is a true meritocracy.

Developments of our DEI initiatives

Our Group-wide objective is to build a diverse and inclusive workplace to attract and retain individuals aligned to our business ambitions. Our Diversity, Equity & Inclusion (DEI) Strategy was launched in 2022 and throughout 2023 we have made significant progress towards achieving it.

Key initiatives we worked on during 2023 included:

- Introduction of several new health and wellbeing initiatives including annual company funded health assessments and weekly online yoga classes to enable employees to take a proactive approach to their health.
- Following the success of the unconscious bias training provided in 2022, this was offered again to all employees as both a refresher and for new joiners, as well as additional resilience training.
- We worked to enhance our Human Resources systems to improve the quality of DEI data collection so that we are able to partake in external initiatives such as the Asset Manager Diversity and Inclusion Questionnaire going forwards.

In 2024, a review of the DEI committee ways of working will take place and the creation of sub working groups will be explored to provide focus and accelerate progress in the following areas:

- Diversity & Inclusion Working Group
- Charity Working Group
- Wellbeing Working Group
- Sports & Social Working Group

2023 summary and progress

- Women made up 38% of employees, an increase from 26% in 2017 (2022: 39%).
- 35% of senior management roles held by women (2022: 33%).
- 29% of Board positions held by women (2022: 29%).
- 83% employees feel that their immediate manager demonstrates a commitment to inclusion and diversity (2022: 81%).

5.4 Employee engagement

In 2023, we conducted our fourth employee engagement survey. The purpose of the survey was to give our people the chance to provide feedback on their experience working at Gresham House.

We engaged a specialist third party company to run this survey which was directed at all employees. Responses were then compared to a benchmark of similar entities where these exist, and the results of the survey were used by the Group Management Committee to determine where we are succeeding and areas that need to be strengthened.

Highlights

- 80% of employees understand how their job contributes to the success of Gresham House (2022: 82%).[3]

[3] Results from the Gresham House 2023 Employee Engagement survey based on 93% completion rate.

- 83% of employees feel trusted to take personal responsibility for their work, whether working in the office or remotely (2022: 82%).
- 74% advocacy score – over three-quarters of employees agreed or strongly agreed that they would recommend Gresham House as a good place to work (2022: 76%).

6. Delivery of our sustainable investment approach

At Gresham House, our approach to sustainable investment is embedded across our business and involves ESG analysis, active stewardship, and outcome measurement.

Our commitment is demonstrated through the integration of sustainable investment practices across our strategies, through our proactivity in seeking to make a positive social, economic or environmental impact alongside delivering strong financial returns and by being a responsible and ethical employer.

Our approach to sustainable investment across each asset division is based on five core components:

01 Sustainability governance structure

02 Sustainable investment commitments

03 Sustainable investment policies

04 Sustainable Investment Framework (SIF)

05 Asset class specific ESG Decision Tools

We are also members of a range of industry bodies which inform and support our sustainable investment approach, and work with some service providers who develop and implement certain aspects of our sustainable investment activities.

Further detail on our approach to sustainable investment, including stewardship, is available in our Annual Report and Financial Statements, which can be found here, and our Sustainable Investment Report, which can be found here. Our Annual Report and Financial Statements are independently audited by BDO LLP, while our Sustainable Investment Report and associated data and metrics is subject to internal assurance by our finance team.

6.1 Sustainability governance structure

To ensure high-quality governance of our sustainability strategy, we have developed a network of sustainability-related committees, which oversee our work. The evolution of our sustainability governance structure has contributed to a strong level of leadership from our executive team with regards to sustainability objectives, with the Sustainability Executive Committee (Sustainability ExCo) providing a constructive forum for oversight and input from the Group Management Committee. Culturally, the ongoing training and internal communications on sustainability, and the introduction of the Sustainability ExCo, have elevated the importance of sustainability across the business.

Following the acquisition of Gresham House by Searchlight Capital Partners in December 2023, the remit of the Board-level Sustainability Committee was transferred to the full board, while the Remuneration and Sustainability Executive committees have been retained.

Sustainability Committee

Prior to the acquisition, the Board-level Sustainability Committee provided oversight and accountability for our approach to sustainability across our operations and investment practices. Its principal duties included the requirement to understand ESG risks and opportunities within the overall context of materiality to the Group and its clients, to oversee the Group's progress against our Corporate Sustainability Strategy (CSS), and to agree and monitor progress against targets with the Board on ESG outputs.

The committee met three times in 2023; items discussed included:

- The UK's Sustainability Disclosure Requirements (SDR) and application to Gresham House
- Gresham House's proposed net-zero strategy and its implications for the business
- Progress with our Corporate Sustainability Strategy
- Discussions around Gresham House's Taskforce for Climate-related Financial Disclosure (TCFD) report
- Sustainability-related risks and developments, including those related to regulation
- ESG risk processes evolution and the evolution of our reporting requirements post the acquisition of Gresham House by Searchlight Capital Partners

Sustainability Executive Committee

The Sustainability Executive Committee was formed in 2021 to elevate responsibility for sustainability to executive level, reflecting the importance and materiality of sustainability to the business. It met six times in 2023 and drove a number of sustainability-related priorities, including:

- Development of Gresham House's inaugural net-zero strategy
- Development of a group-wide travel policy to reduce our operational scope 3 emissions
- Enhancing our modern slavery and supply chain due diligence
- Discussing the UK's Sustainability Disclosure Requirements (SDR) and their application to Gresham House
- Evolution and enhancement of our Sustainable Finance Disclosure Regulation (SFDR) and broader regulatory processes

Remuneration Committee

The Remuneration Committee is responsible for determining how sustainability objectives and commitments, as well as other business objectives and targets, are integrated into the remuneration of the Group Management Committee.

20% of Group Management Committee members' annual variable compensation is linked to non-financial objectives and the achievement of our GH30 strategy, including "to be the manager of choice for sustainable investment client solutions ". Examples of key performance indicators used to assess the achievement of this objective can be found in section 5.1.

At a broader workforce level, sustainability objectives contribute to the performance review for all employees as reflected in the remuneration policies established by our Human Resources team, as discussed in section 5.1.

Sustainability governance structure

Board

Oversees our business strategy and management, including sustainability matters.

Group Management Committee

Responsible for delivering the business strategy, including the implementation of sustainable investment commitments and the achievement of sustainability objectives.

AIFM Risk Committee

ESG risks are included in our risk register and divisions report on ESG-related risks to this Committee quarterly.

Sustainability Executive Committee

Drives sustainability-related deliverables and owns delivery and oversight of the Corporate Sustainability Strategy.

Audit Committee

Responsible for monitoring business risks including ESG and climate change risks.

Remuneration Committee

Reviews the performance of management and sets the scale and structure of their remuneration in line with the business strategy, including sustainability objectives.

6.2 Sustainable investment commitments

We will endeavour to:

- Take steps to consult and understand the views, concerns, and ambitions of our stakeholders in seeking sustainable outcomes from the investments we are involved in.
- Integrate environmental, social, governance and economic benefit considerations into our selection, evaluation, governance, and engagement processes across the lifecycle of each investment. We drive rigour and consistency in this by applying our sustainable investment framework (please see next page) and system, including clearly defined processes and expert tools and methods.
- Ensure our team understands the imperative for effective ESG management and is empowered and equipped to carry this out through management support and training.
- Conduct regular monitoring of ESG risks, opportunities, and performance in our investments and over time, reporting to our investors.
- Conduct our business activities in line with the UN supported Principles for Responsible Investment, including an annual report of our progress toward implementation.

6.3 Sustainable investment policies

Gresham House's overarching Sustainable Investment Policy (link) describes our approach to sustainable investment and our commitments to investing sustainably while meeting our overall business objectives. Beneath this policy, we have asset-specific Sustainable Investment Policies that describe approaches relevant to each asset class.[4]

We also have an Engagement & Voting Policy which sets out our approach to engagement and voting to be followed by Gresham House both in relation to its balance sheet investments and on behalf of its clients.

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[4] All asset class policies can be found at the bottom of our Sustainable Investing webpage: https://greshamhouse.com/sustainable-investing/

Policy structure

Group Sustainable Investment Policy

Engagement & Voting	Forestry	New Energy
Real Estate – UK Housing	Private Equity	Public Equity
Sustainable Infrastructure	Commercial Real Estate - Ireland	Public Equity – Ireland

The table below sets out the information included in our policies.

Policy	Content
Gresham House Sustainable Investment Policy	▪ Our sustainable investment commitments. ▪ How our business mission is linked to a commitment to sustainable investment. ▪ The process followed to deliver our approach to sustainable investment including our commitments to operating as a sustainable business. ▪ An introduction to our Sustainable Investment Framework (see next page). ▪ The Sustainable Investment Team will assess adherence to the commitments set out in our Sustainable Investing Policy on an annual basis and report progress to the Sustainability Executive Committee and Board.
Asset class sustainable investment policies	▪ Details how the specific asset division's investment strategy meets our Group-wide sustainable investment commitments. ▪ Potential contributions of the investment strategy to the UN Sustainable Development Goals. ▪ Application of each theme of our Sustainable Investment Framework to the investment strategy. ▪ Each asset division head reports to the Group Management Committee on how they are meeting the statements set out in their specific sustainable investment policy.
Engagement & Voting Policy	▪ Roles and responsibilities in our engagement and voting processes. ▪ The purpose of engagement activities and how it fits into the investment process. ▪ How proxy services are used to deliver votes and how voting decisions are reached. ▪ Details how conflicts of interest are managed and how we will provide transparency and disclosure.

Gresham House's policies are regularly reviewed to ensure they continue to enable effective stewardship. In the event of an acquisition by Gresham House, acquired businesses are integrated into our existing ways of working, and investments are managed in line with the commitments set out in Gresham House policies. Where an acquisition leads to a new asset class, a new sustainable policy is developed.

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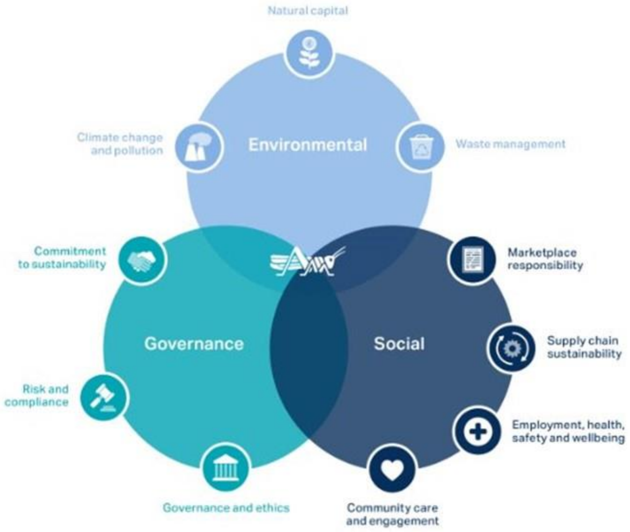
6.4 Sustainable Investment Framework

We have developed a Sustainable Investment Framework, incorporating ten ESG themes. These themes were derived from the ESG materiality assessment we undertook as part of our strategy development process and are considered to be the most material factors for our asset divisions.

The framework is used to structure analysis, monitoring and reporting of ESG issues and opportunities within the lifecycle of our investments as an aid to more consistent integration.

The themes are used by the investment teams to identify a broad range of ESG risks which may materially impact proposed transactions, as well as directing our focus towards more sustainable outcomes.



Section 8 describes how the framework is applied across our investment strategies.

6.5 ESG Decision Tools

Gresham House engaged a specialist consultant to develop an ESG Decision Tool (the ‘Tools’) for each asset class which supports the investment teams in implementing the commitments made in the sustainable investment policies.

The ten themes in the Sustainable Investment Framework are used as the basis for the investment team’s ESG Decision Tool and several sub-factors are considered under each broader theme.

The purpose of the Tools is to support the investment teams in identifying potential, material ESG risks that need to be managed and mitigated, and to help shape the due diligence process for individual companies prior to investment. The Tools also provides a way of summarising material ESG issues, which can then be tracked and monitored over time, and include actions that can be taken to mitigate those risks throughout the holding period.

The Tools will not tell the investment teams whether to invest or not, instead they aim to provide a rational and replicable assessment of key ESG risks which should be considered prior to investment, and to help rank the significance of each risk. It is up to the investment teams to decide whether or not they are sufficiently comfortable with these risks to proceed with an investment.

Importantly, the output of the Tools can be used by the investment teams to identify necessary stewardship activities for some asset classes including setting engagement priorities. Based on the risks and opportunities that are highlighted, it prompts investment teams to identify core engagement topics, proposed actions, deadlines and to allocate responsibilities.

We are committed to ensuring that all new investments utilise these Tools. Outputs of the Tools are considered by the investment committees of each fund in signing off new investments where significant.

6.6 Industry bodies

We believe in playing an industry leadership role in supporting and promoting sustainable investment, and this includes participation in several industry bodies.

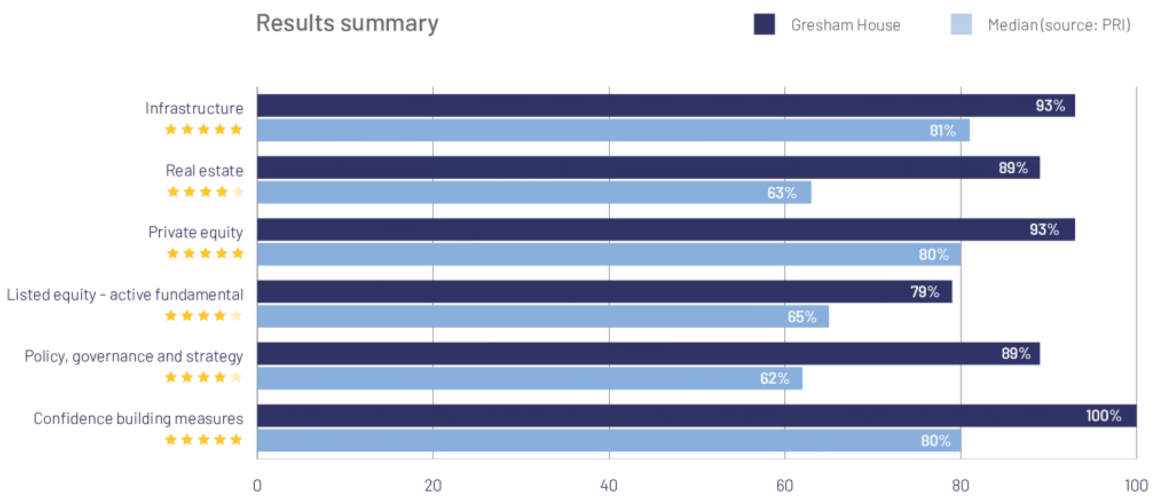
Principles for Responsible Investment (PRI)

We became signatories to the PRI in 2018 and have aligned our sustainable investment commitments with these principles. The PRI believes that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society. The PRI works to achieve this sustainable global financial system by:

- encouraging adoption of the principles and collaboration on their implementation;
- by fostering good governance, integrity, and accountability; and
- by addressing obstacles to a sustainable financial system that lie within market practices, structures, and regulation.

Signing up to the internationally recognised principles, which are voluntary and aspirational, enables organisations to publicly demonstrate their commitment to responsible investment and be part of a growing global community that is driving real change to contribute to a better world for all.

For our 2022 PRI Report, the results of which were published in 2023, we were awarded 4 and 5 stars, out of a maximum of 5 stars, for all modules relevant to Gresham House. In line with the PRI publication guidance, the following links provide access to our Summary Scorecard and Full Transparency Report.



Source: Gresham House (collated from PRI report), December 2023

UK Sustainable Investment and Finance Association (UKSIF)

We are a member of UKSIF, which works closely with government departments, parliamentarians, and regulators to influence policy development that supports the growth of sustainable finance. They also help influence attitudes, accessibility and availability through industry and mainstream campaigns.

On policy matters, UKSIF wants to see laws, regulation and guidance that promote long-term, sustainable wealth creation. It therefore works to support and influence policymakers, regulators, financial services trade bodies and other key decision-makers on sustainable finance issues. On investment and industry matters, UKSIF collaborates on industry initiatives such as public statements, share industry best practice and report on industry progress.

On public matters, UKSIF helps encourage the public to consider sustainable finance and investment options by using traditional, digital, and social media and events to raise awareness of the benefits and simplify the steps to take. Our participation in 2023 included:

- Taking part in several roundtable discussions on the formation of the UK's Sustainability Disclosure Requirements (SDR) and IFRS International Sustainability Standards Board's (ISSB) global baseline of sustainability-related disclosure standards.
- We contributed to the draft response to the European Commission's targeted consultation on the Sustainable Finance Disclosure Regulation (SFDR)
- Alongside other investment managers, banks, and asset owners and other financial institutions managing £1.5 trillion in assets under management, we signed a letter to the UK government expressing concern at its public statements and policy signals, which risk undermining the UK's leadership in the clarity, certainty, and confidence of policymaking toward meeting the UK's commitment to net-zero.

London Stock Exchange (LSE) Green Economy Mark

The Green Economy Mark recognises listed companies deriving 50% or more of their revenues from environmental solutions. It makes less obvious environmental solutions more visible and enables investors to identify an investible universe of green economy equities, enabling a broad exposure, rather than a focus on one area, such as renewable energy infrastructure.

The LSE Green Economy classification and Mark is available to all equity issuers on all segments of the Main Market and AIM that meet the relevant criteria. It facilitates visibility and investment by addressing the information gap around what constitutes commercial activity relating to environmental solutions. Through its consistent application across LSE's markets and segments, the Green Economy Mark and Green Revenue tracking improves visibility to investors and other stakeholders that are interested in Green Economy activities.

Gresham House Energy Storage Fund and the Gresham House Renewable Energy VCTs have all been awarded the LSE Green Economy Mark. Gresham House held the Mark until its delisting in December 2023.

Pensions for Purpose

Pensions for Purpose is a collaborative industry initiative that seeks to have industry impact through the promotion of a better understanding of impact investment by effectively sharing news stories, blogs, case studies, academic research and thought leadership papers and acting as a first port of call for journalists seeking comment on impact investment-related issues.

In 2023, Gresham House authored a paper alongside Pensions for Purpose entitled, “Natural capital and biodiversity – where are UK asset owners on their journey?’. The paper highlighted the results of a research project that sought to assess where UK asset owners, in particular pension funds, are on their journey of incorporating biodiversity and natural capital into their investment decision-making.

Wider industry contributions in 2023

A range of Gresham House employees have contributed to many events over the past year, which have been attended by a variety of stakeholders, including institutional and retail investors, specialist groups and advisors. These events have been via contributions to panel discussions and also full presentation sessions. These include:

48 contributions to sustainability focused educational events as panel experts or event speakers.

56 sustainability focused articles or comments from Gresham House experts in the press.

11 responses to sustainability related government/regulator consultations.

6.7 Engaging service providers

Gresham House works with specialist service providers to support and enhance our work in sustainable investment and stewardship activities. For example, during 2023, we worked with the following service providers:

1. A carbon data provider to measure the carbon footprint of Gresham House’s operations and investments. This data contributes to our carbon footprint reporting and monitoring, as well as our inaugural net-zero strategy and investment decision making.
2. A provider of climate risk data for the basis of physical climate risk analysis to be undertaken in 2024 and beyond.
3. Additional carbon data providers to outline the specific retrofitting measures that could be taken by our UK Housing funds to improve the energy efficiency of our properties.
4. Several ESG data solutions companies to improve the quality and quantity of ESG related-data available to the UK Public Equity team.

Case study: selecting public equity data providers

For the last couple of years we have used an ESG data provider for our UK Public Equity company to provide ESG-related information on our portfolio holdings. Following a review of our engagement process it was determined that the quality and quantity of ESG related information needed to be improved to aid ESG related decision making and engagement quality. In 2023 we explored the ways in which other providers could enhance the quality and quantity of ESG-related data that could be used by our investment teams. The team met with three potential providers to assess their service proposition and cost.

The team is in the final stage of selection but will ensure the selection of the most appropriate provider to enhance its sustainable investment processes. Above all, the data should enhance the team’s ESG risk and opportunity assessment as part of investment analysis.

Case study: selecting climate risk providers

To select the providers to support the assessment of physical climate risks that face our real asset investments, we sent a request for information to range of different providers. The responses were assessed by the Sustainable Investment team and a shortlist of companies were drawn up.

The Sustainable Investment team met with three potential providers before a final provider was chosen. Throughout the trial and licence period the team held regular catch-up meetings to provide feedback on the platform and data quality. The data was used as part of our annual climate-related disclosures and sustainable investment reports. The continued appropriateness of this provider will be continually reviewed.

6.8 Monitoring and assurance

Gresham House is committed to continuous improvement in the execution of its sustainable investing approach.

Since 2021 we have applied a three-tier approach to ensure our investment teams, on a consistent basis, comply with our Sustainable Investment Framework (SIF) and implement the ESG Decision Tools in their approach effectively. This approach continues to be integrated and evolved as our internal processes and teams develop. The three stages are as follows:

01 Investment level

Investment committee (IC) papers are expected to include a section on ESG and the outcomes of the ESG Decision Tool. This ensures integration of ESG considerations across the investment process including integration into investment committee processes.

02 Risk Committee

This Committee reviews the risk to each fund in line with the requirements of the Alternative Investment Fund Managers Regulations, provide regular updates to the senior management outlining the current level of risk incurred by each managed AIF and provide regular updates to the Boards of the Group's regulated AIFM and Gresham House Audit committee on the adequacy and effectiveness of the risk management processes. Risk papers shared with the Risk Committee will include a new section covering the key ESG risks that have been identified over the last quarter. Any explanation of how these risks will be managed or mitigated will also be included.

03 Asset division consistency

The Sustainable Investment Team has oversight of the outputs of the ESG Decision Tool and the IC papers to assess how the framework is being complied with. Annual ESG Audits are carried out by the Sustainable Investment Team on a selection of investments for all divisions to assess the quality and consistency of the ESG Decision Tool completion and IC paper content. Results are reported to the Sustainability Executive Committee for review and actions will be identified following the audit for relevant divisions.

The purpose of these checks is to allow a clear audit process which ensures we are meeting the commitments we have set out in our sustainable investment policies. Any issues will be escalated to the Sustainability Executive Committee and, where required, the Group Management Committee. As the business grows, further support from external parties may be sought to provide additional assurance on the effectiveness of key controls in our sustainable investment approach.

In addition to the above process, Gresham House is committed to disclosure and transparency for our investors and other stakeholders. We publish an annual Sustainable Investment Report which provides case studies and insights into our application of sustainable investment across our asset divisions.

To ensure our stewardship reporting is fair, balanced and understandable, we provide information for all asset classes equally and aim to demonstrate progress as well as successes. The Sustainable Investment Team is responsible for ensuring all asset classes are fairly represented in reporting. In addition, as a regulatory document, the report is reviewed by our Compliance team, as well as the Group Management Committee, who also consider the accurate and fair representation of information in reporting.

7. ESG risk management

7.1 Governance framework: our enterprise risk management framework

Effective risk management is key to our success and forms part of our key strategic drivers and culture. Our enterprise risk management ("ERM") framework sets out our risk governance structure, risk appetite and risk assessment processes, policies and procedures, periodical risk reporting and assurance arrangements.

The identification of risks is linked to the strategic objectives of the Group as a whole and supports business processes. Our risk identification process delivers a defined risk taxonomy which is used to establish the impact and likelihood of a risk materialising and of the exposures the Group faces. Examples of risks within the ERM framework include:

- Strategic risk – examples include going concern, fundraising and fund performance.
- Market risk – examples include pricing and volatility.
- Financial and liquidity risk – examples include cash balance, liquidity and leverage.
- ESG and climate risk – examples include physical climate risk and greenwashing risk.

Our risk prioritisation reflects the efficient application of resources within the Group.

Our sustainability risk management model has been integrated into our ERM framework taking both a top-down and bottom-up risk management approach and is based on selecting and assessing sustainable investment risks and opportunities over the short, medium, and long-term using our ESG Decision Tools.

The Gresham House Board is responsible for the effective management of ESG risks and opportunities across the Group. It oversees our Corporate Sustainability Strategy and ESG risks specifically. New risks are identified based on industry or market wide developments, or specific developments identified within Gresham House.

Climate change and its adverse impact on our operations is a risk that is explicitly identified under our ERM framework. In 2023, this continued to be a focus for the Group, and we published our first standalone TCFD report in the first quarter of 2023, alongside the publication of our Annual Report. One of the four thematic areas of the TCFD report concerns risk management.

Gresham House maintains a risk register which records all the key risks which are relevant to the Group. In 2023, the risk register was updated to give greater prominence to physical and transition climate risks in the risk identification and management process. Risk owners are supported in the identification of division-specific climate risks by the Group's Sustainable Investment Team, which regularly reviews and provides guidance on the sustainability and climate-related risks facing each division.

Additional risks facing the Group are outlined below. These risks and our approach to managing them are described in more detail in the effective risk management section of our 2023 Annual Review.

7.2 Climate change

Globally, the cost of continued inaction on climate change will see more variable and extreme weather, leading to destructive consequences. Climate change is arguably the biggest risk to the proper functioning of financial markets across the globe. At Gresham House, we recognise that the changing climate will present risks to our strategy.

We also see climate change as an opportunity. Supporting the transition to a sustainable, low-carbon economy requires substantial capital to achieve green and broader sustainability objectives. At Gresham House, we are committed to leverage the opportunities climate change presents and invest in ways that have a positive impact on the environment.

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In Q1 2023, we published our second standalone report in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), a framework that help companies more effectively disclose their climate-related risks and opportunities.

This report aims to provide our clients, shareholders and other key stakeholders with a better understanding of our exposure to climate-related risks and the climate-related opportunities that we are pursuing. Our report which covers our activities for 2023 will be published in the first half of 2024.

Climate-related risks for our investments

Whilst there are material opportunities for many of our assets related to climate change, there are also physical and transition risks to be considered. Climate-related risks vary materially according to the type of asset we invest in. These include:

- **Physical risks** - risks resulting from climatic events, and can be **acute** (i.e., event-driven) or as a result of **long-term** shifts in climate patterns.
- **Transition risks** - business risks associated with the transition to a low-carbon economy. These include changes to the policy and legal backdrop, the shift to lower emissions technologies, changes in the market and reputational risks.

The identification and assessment of climate-related risk takes place using our Enterprise Risk Management (ERM) Framework. This framework assesses and manages Group-wide risks based on the likelihood of the risk materialising and the business exposures faced if it does.

We maintain a risk register which records all the key risks which are relevant to the Group. In 2023, the risk register was updated to give greater prominence to physical and transition climate risks in the risk identification and management process.

At a divisional level, the responsibility for climate-related risk management has been embedded into the activities of each business unit throughout the lifecycle of an investment. We require climate-related risks to be assessed as part of the investment process for all investments. This is done through the implementation of asset-specific ESG Decision Tools which require investment teams to identify how material particular environmental risks, including climate change, are to the investment. The ESG Decision Tools ask about various environmental risks including, but not limited to, physical climate risks, policy risks, such as changing consumer behaviour, and regulatory risks.

Outcomes of the ESG Decision Tool are used by the investment teams to identify actions that must be taken to mitigate and monitor any material risks on an ongoing basis. This includes the identification of engagement topics to reduce risks and enhance opportunities for investments.

Risk owners are supported in the identification of division-specific climate risks by the Group's dedicated sustainable investment team, which reviews and provides guidance on the sustainability and climate-related risks facing each division.

To build on the approach our investment teams currently employ to identify and manage physical climate risks, this year the sustainable investment team began the development of a climate modelling approach to provide a quantified measure of the risk faced by our Real Assets - the Value at Risk (VaR). The reason for this is to be able to more precisely identify where and to what extent our assets are exposed to climate risks so that priority areas for adaptation of our strategy can be identified.

This work is on going as the team continue to research ways to more accurately conduct climate scenario analysis. Further information can be found in our TCFD report.

Climate-related opportunities for our investments

Gresham House is well positioned to take advantage of the increasing investor focus on the transition to a low-carbon economy. We provide our clients with the opportunity to invest in a range of asset classes that have long-term investment horizons and returns that are tied to climate-related opportunities. These include:

- Renewable energy generation and battery storage solutions within **New Energy**.
- Sustainable building materials and carbon sequestration within the **Forestry** division.
- Innovative agricultural practices, biodiversity net gain, and waste-to-energy solutions within **Sustainable Infrastructure**.
- Low-carbon and operationally net zero homes within **Housing.**

As the business continues to expand, we are committed to providing investment solutions for our clients that contribute to the global transition to a low-carbon economy.

Climate change strategy for our investments

We consider our main exposures to climate change risks and opportunities to sit within our Real Assets divisions, which account for £6.3bn (74%) of AUM as at 31 December 2023.

It is primarily through these investment divisions that we offer our clients exposure to climate change solutions, and it is the opportunities that these multi-decade investment solutions provide that drive the development of new products.

For existing funds, sustainable investment considerations are applied across the investment process for all assets and involve the integration of ESG factors, including climate change, as well as the application of active stewardship responsibilities.

Climate risks unique to each division are considered prior to and throughout the life of a transaction. To assist in the identification of climate risks at the pre-investment stage, we have developed asset class specific, proprietary, ESG Decision Tools. These Tools support the investment teams in identifying potential, material ESG risks, including climate change risks that need to be managed and mitigated, to help shape the due diligence process for individual companies prior to investment.

In conjunction with our Sustainable Investment Team, each investment division has drawn up a list of ESG KPIs that it will track for each of its investments. These KPI banks have been created with reference to a number of well-known sustainability reporting frameworks and reflect the unique nature of our asset classes and the ESG and climate-related risks and opportunities that they face.

These KPIs help investment teams track the progress a particular asset is making towards its ESG and climate-related ambitions, and to what extent ESG and climate-related risks are being managed effectively.

Gresham House has developed and published an overarching Sustainable Investing Policy (link) along with asset specific sustainable investment policies.[5] These policies describe our approach to sustainable investment, including climate change, and highlight our commitments to investing sustainably while meeting our overall business objectives

The following pages set out the relevant climate risks and opportunities and their potential financial impacts that Gresham House and its associated strategies face over the short-, medium- and long-term.

[5] All asset class policies can be found at the bottom of our Sustainable Investing webpage: greshamhouse.com/sustainable-investing

Actions in 2023

- Published our first standalone TCFD report, outlining how we consider climate-related risks and opportunities within our operations and our investments, and how these are aligned with the four thematic TCFD areas of Governance, Strategy, Risk Management and Metrics & Targets.
- Undertook a comprehensive carbon footprinting exercise for the third year covering both our operations and our investments in line with the Partnership for Carbon Accounting Financials (PCAF).
- Undertook our third annual ESG survey of our Private Equity investee businesses, which includes a number of questions on climate-related matters.
- Started to develop a climate modelling approach to provide a quantified measure of the physical climate risk faced by our Real Assets.
- Within Forestry, we surveyed our woodland managers, sawmill and main nursery supplier to improve the quality and quantity of carbon-related data that they disclose.

Next steps

We are committed to continuing to improve both the quality and granularity of our climate-related disclosures over time. In order to meet this ambition, we must make sure that we continue to evolve and advance our Corporate Sustainability Strategy in the coming years. Climate Change and Pollution has been identified as a priority topic covering our role both as an investor and business and employer. The following outlines some of our core Climate Change and Pollution actions that we will take to support our climate ambitions.

- Engage with investments across all divisions to support the improved measurement of their carbon footprint and establishment of climate change strategies.
- Expand the climate data that is reported for all funds, including through climate accounting and scenario analysis.
- Continue to assess the key climate-related risks across our investments and develop a process to reduce exposure or mitigate these risks.
- Continue to assess key climate-related opportunities across our investments and develop processes that allow Gresham House to allocate to these opportunities where possible.
- Set science-based Net-Zero targets covering our operations and investments and regularly monitor progress against these targets.
- Continue to identify and participate in industry climate-related initiatives.

7.3 Biodiversity loss

Biodiversity loss refers to the decline in the variety and abundance of living organisms, both plant and animal species, in a given habitat or ecosystem. This loss of biodiversity is caused by human activities such as deforestation, pollution, and climate change, and it poses a significant risk to the stability and functioning of ecosystems, as well as to the human population. For Gresham House, the risk of biodiversity loss is material to all our investments given this dependence of society and economies on natural ecosystems. Biodiversity loss also presents financial and regulatory opportunities and risks for certain investments as regulation aims to address biodiversity loss by mandating biodiversity net gain for certain activities. These factors are particularly material to our Housing, Forestry and Sustainable Infrastructure assets.

As public awareness of the importance of biodiversity grows, governments and regulators are increasingly implementing policies and regulations aimed at protecting the environment and biodiversity. Over time, those companies that do not adapt to and comply with these regulations may face fines and reputational damage, which can negatively affect their financial performance and long-term value.

Mitigation controls

As part of our Corporate Sustainability Strategy, we have a 2025 strategic objective to assess the natural capital impact and dependencies across our assets; and develop market leading reporting and solutions to meet clients' requirements.

At the start of 2024, the provisions of the Environment Act 2021 relating to Biodiversity Net Gain (BNG) become mandatory in England. From this point on it became a legal requirement for new development projects in England to "leave biodiversity in a better state than before" by demonstrating at least a 10% increase in biodiversity utilising the Department for Environment, Food & Rural Affairs (DEFRA) biodiversity metric as a standardised measurement tool.

Ahead of this publication date, in 2023 we put together a guide to for Gresham House's investment divisions which included decision-useful information on how to approach the requirements internally and with their supply chain.

In 2023, we also responded to the Taskforce on Nature-related Financial Disclosures (TNFD)'s consultation on its beta (v0.4) framework and the UK government's public enquiry into private investment in nature recovery (more details can be found in section 9.5.)

Our Sustainable Infrastructure division continues to drive forward the innovative market for biodiversity credits in the UK by supporting its investment in Environment Bank Ltd, a pioneer in the creation of biodiversity units. The team's investment aims to support the creation of over 4,000 hectares of biodiverse land throughout the life of the investment. In 2023, we completed on the creation of 439 hectares of land supporting nature recovery, following on from 123 in 2022.

Our Forestry business conducted its second biodiversity survey of managed forests in the UK. The division also undertook environmental DNA (eDNA) testing of sample forestry sites to better understand the biodiversity of species present on productive forestry sites. The eDNA results complemented survey results, indicating a presence of biodiversity of species across our forests sites. The team continues to work with consultants and ecological experts to develop a comprehensive and science-based approach to measuring the baseline of specific site biodiversity and then managing and enhancing that biodiversity over time.

Next steps

To continue to identify, manage and align our investments with risks associated to biodiversity loss, we will:

- Explore the adoption of the Taskforce on Nature-related Financial Disclosures (TNFD) framework and the ways in which we might integrate nature-related risk and opportunities into the investment processes for our holdings going forward.
- Continue to develop natural capital-related investment products for clients seeking to address nature and biodiversity-loss and restore nature.

7.4 Cyber risk

Worldwide cyber risk has increased considerably over the past few years, driven in part by increased digitalisation throughout the Covid-19 pandemic. The significant increase in the use of digital tools has coincided with the increased sophistication of threats from the application of emerging technologies such as artificial intelligence and machine learning.

For Gresham House, cyber risk is the risk that the Group's systems are accessed by unauthorised persons and client data is breached. This could lead to business continuity events, corrupted or lost data, operational interruptions, compliance breaches, dissatisfied clients or suppliers, and reputational damage.

We manage cyber risk as part of the operational resilience of our overall security plans. In 2023, cyber risk was mitigated through the application of appropriate systems and controls and employee training.

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Mitigation controls

- From a top-down basis, the Operations Committee address operational efficiencies with regular reporting to the board.
- The Group engages suitably qualified third parties in all outsourcing arrangements and carries out regular due diligence on these third parties.
- Annual IT audits are conducted by independent third-party IT security providers, including phishing and penetration testing and ongoing cyber security monitoring with monthly reports. Restricted access to systems is in place.
- Refresher training on data protection and cyber security, including cyber fraud prevention.
- Annual business continuity plan maintenance and testing to ensure resilience of the Group's and critical third-party systems.
- Maintenance of ISO 9001 certification ensuring documentation and consistent application of processes across the Group.
- We have outsourced services for IT and Cyber. The company that provides this has ISO 27001 certification. The Cyber team runs a 24/7 security operation centre (SOC).

Effectiveness of our cyber risk mitigation strategy

Over the last 12 months, Gresham House has logged the following with regards to cyber security:

- **5.95bn** screened events, such as individual log ins;
- **3.7bn** screened events relating to security;
- **6067** potentially malicious events with the potential to cause harm;
- **2** serious cyber security incidents/threats; and
- **0** data breaches.

Our New Energy team has identified cyber risk as material to its assets, given the critical role these assets play in national energy security. The below case study demonstrates action the team takes to manage cyber-related risk.

Case study: managing cyber risk within New Energy

Battery energy storage systems (BESS) are a fundamental and critical component of the transition to a net-zero electricity system. Ensuring that our sites are available to the electricity network when needed and are not at increased risk from cyber or physical attack is vitally important.

Mitigation controls

In 2023 the New Energy team appointed a cyber security company to test the security of its assets through three different tests. The results were as follows:

1. **Penetration tests**: All the 19 assets tested at the time of the test presented an excellent response to the cyber-attacks. None of the intentions were successful, and the experts concluded that the "sites are secure".
2. **Networking**: The test tried to simulate what devices would be vulnerable if someone could access the site and plug in a laptop. The cyber expert provided recommendations which were shared with the network providers on each asset and followed through periodic meetings with them for improvement. The most common issues found on sites were as follows:
   a. Manufacturing passwords: Some equipment, such as inverters, still had the default password.
   b. Obsolete equipment: Some equipment on site, such as the firewall, was an old hardware version.

c. Network management issues: The test has shown the lack of expertise and knowledge of some of the current network providers.

3. **Physical penetration**: A person tried to break into five different sites without luck. Sites were well protected, and CCTV and/or site managers did not allow people to enter the site.

Next Steps:

After conducting various tests and holding weekly meetings with different network providers, the New Energy team decided to move the network management to a fully dedicated cloud server provided by Gresham House. The server will be managed by Wizard IT Group on our behalf, which will increase overall security across the portfolio.

Gresham House has decided to enhance site security on each asset. Before investing at the portfolio level, a trial will be conducted. This trial will involve the installation of Microsoft Defender and Wizard Shield software to detect and analyse all the transactions between equipment at one asset, Wickham Market.

If the pilot test is successful, the software will be fully implemented in all the assets that come under Gresham House management.

7.5 Supply chain risk

Gresham House is exposed to a range of supply chain risks in almost all of our investment divisions that can disrupt operations, damage our reputation, and impact upon financial performance.

These risks are particularly acute in our New Energy division. Whilst our New Energy technologies are central to the clean energy transition, these technologies can face significant sustainability challenges in their supply chains. For example, a key risk in the solar supply chain is the risk of exposure to forced labour in the Xinjiang region in China in the manufacturing of polysilicon, a key raw material used in solar panels. China dominates the global production of polysilicon, with 70% of the global market, more than half of which is produced in the Xinjiang region.[6]

In the battery supply chain, the reliance on and increased demand for transition minerals (e.g. lithium, nickel, graphite, manganese) poses serious human rights and environmental risks. For example, in Chile, lithium mining operations have affected the rights and livelihoods of indigenous communities with violations to self-determination, land and water rights. The high intensity of water use has also affected the water basins and the availability of the resource for human consumption.[7]

Mitigation controls

We have a 2025 strategic objective within our Corporate Sustainability Strategy to understand material ESG risks across the supply chain of our investments and establish policies and processes to manage and mitigate these where possible.

In 2022, a battery supply chain audit was completed by a third-party supply chain auditor, RCS. The audit report included a summary of relevant potential risks associated with the division's primary battery chemistry. It summarised results from on-site audits for the primary battery supplier and a cathode supplier. No material risks were identified in the results, but the report acknowledged that risk management processes within the lithium iron phosphate (LFP) chemistry battery supply chains are relatively nascent.

In 2023 we built on this to identify a provider who could evolve our approach to supply chain management in the following ways:

- Review, evaluate and update our supply chain policies across each of our New Energy asset types,

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[6] Anesco, 2021, Solar Supply Chain Practices – Investor Briefing Note

[7] The Centre for Research on Multinational Corporations, 2020, The Battery Paradox – How the electric vehicle boom is draining communities and the planet

ensuring they effectively address material risks and upcoming regulation.
- Undertake additional ESG due diligence on our core suppliers in line with our updated policies and industry standards.

We aim for the above work to be carried out in 2024 and beyond.

7.6 Regulatory and legal risk

Failure to comply with regulatory requirements and expectations may put Gresham House at risk of fines, lawsuits or reputational damage. Regulatory and Governance risk drivers include:

- The expansion of our investment businesses through acquisition and the launch of new investment products internationally;
- Regulatory change; and
- Ongoing compliance obligations under a wide range of laws and regulations.

Regulatory and compliance risk increased during 2023 due to further UK regulatory developments such as the FCA's final policy statement setting out its approach to the UK's Sustainability Disclosure Requirements (SDR) and the requirement for all new planning permissions granted in England to deliver at least 10% biodiversity net gain under the Environment Act. The potential impact of regulatory and legal risk includes regulatory censure, fines, and reputational damage.

Mitigation controls

The Group continuously monitors upstream regulatory developments to assess potential impacts. This allows the Group to amend working practices, where necessary, to meet the new requirements ahead of deadlines.

Gresham House supports regulatory initiatives that promote consumer protection and anti-greenwashing rules, which we believe will provide additional premia for genuinely sustainable investment products, cognisant however of the operational complexity and costs to demonstrate compliance in the manner prescribed under regulation.

Gresham House not only promotes consumer protections but has also applied the principles of the Consumer Duty and embedded the four consumer outcomes into the core of our business practices, especially as they relate to our retail customers.

The FCA regulated entities in the Group have a board made up of division leaders and the Group Management Committee. Quarterly board meetings are used to review breaches, updates in the compliance environment, capital adequacy, FCA reporting (RegDATA) and other regulatory matters. In addition, we conduct regular training and communications across the Group on applicable regulatory obligations. With the introduction of the Senior Managers and Certification Regime, this has been further embedded through specific conduct rules training. Furthermore, there is an independent compliance department to regularly monitor, identify and report any actual or potential breaches using our compliance monitoring programme. Robust whistleblowing arrangements are also in place.

8. Our approach to ESG integration

Gresham House has a clear commitment to sustainable investment as an integral part of its business strategy. Sustainable investment considerations are applied across the investment process for all assets and involves the integration of ESG factors as well as the application of active stewardship responsibilities.

Our approach to sustainable investment across each asset division is based on the following core components:

1. Commitments and committees (see sections 6.1 and 6.2)
2. Sustainable Investment Framework (see section 6.4)
3. Policies and processes (see section 6.3)

The Sustainable Investment Framework is the core method by which ESG is integrated into our investment decisions. It captures the ten themes we want our investments to be carefully assessed against. The asset class specific ESG Decision Tools build on these themes by supporting the investment teams in identifying potential, material ESG risks that need to be managed and mitigated, to help shape the due diligence process for individual companies prior to investment.

The Tools also provide a way of summarising material ESG issues, which can then be tracked and monitored over time, and include actions that can be taken to mitigate those risks throughout the holding period.

8.1 Differences across geographies

Most of our assets (86% AUM as at 31 December 2023[8]) are based in the UK, hence our reporting focuses on how ESG and stewardship activities are integrated across our UK assets. Our non-UK assets are Forestry assets in Ireland (8% AUM as at 31 December 2023), New Zealand (1% AUM) and Australia (5% AUM) and are broadly managed in line with our UK assets.

While all our discretionary managed Forestry assets are subject to the commitments set out in our Forestry Sustainable Investment Policy and Gresham House Forest Charter, assets will also be managed in line with regional forestry standards which may have differing requirements. Our UK assets are managed in line with the UK Forestry Standard (UKFS), our Irish assets are managed in line with the Irish National Forest Standard (INFS), and our Australian assets in line with the Australian Responsible Wood Forest Certification System.

We also aim to certify our forests in line with international forestry standards. Most of our forestry assets are certified by the Forestry Stewardship Council (FSC) and some assets, usually in Ireland and Australia, may also be certified under the Programme for the Endorsement of Forest Certification (PEFC). There may be a delay in certification of certain assets following their acquisition, however we aim to certify all assets within a reasonable timeframe.

[8] The percentages refer to total Gresham House and include Gresham House Ireland AUM.

8.2 Strategic Equity

Our UK-based Public and Private Equity teams target superior long-term returns by applying an active private equity approach, engaging with companies, and applying rigorous due diligence and developing a deep understanding of each investment.

The 'G' (Governance) of ESG is the most important factor in our investment processes for UK public and private equity. Board composition, governance, control, company culture, alignment of interests, shareholder ownership structure, remuneration policy etc. are important elements that will feed into the fund manager's analysis and the company valuation.

E and S (Environmental and Social) factors are assessed as risk factors during due diligence to eliminate companies that face environmental and social risks that cannot be mitigated through engagement and governance changes.

We integrate ESG considerations into the lifecycle of each investment as follows:

01 Initial appraisal

Identify material ESG matters requiring further investigation during the due diligence stage. If certain risks are unlikely to be sufficiently managed or mitigated, then we may choose not to proceed at this stage.

02 Due diligence

The ESG Decision Tool and, where possible, meetings with management are used to assess material ESG risks that need to be mitigated and ESG opportunities that could drive value. Specialised consultants may be used to provide additional information.

03 Investment appraisal

A summary of the ESG analysis is included in every Investment Committee submission, where relevant. Appropriate risk mitigation approaches will be referenced and assurance that the business is open to making improvements is sought.

04 Holding period

Public Equity: We engage regularly with boards and management teams, focusing on strategic, financial and operational matters, including ESG factors, and consistently use our voting rights.

Private Equity: A 100-day post-investment plan will be developed to address shorter term risks uncovered in our due diligence stage. We will then use our position as a board member and active investor to influence management to proactively address longer term risks and opportunities.

Sustainable Investment Framework Application

Environmental		
Climate change and pollution	**Natural capital**	**Waste management**
GHG emissions & climate change impacts, energy management, pollution prevention & control, air quality management	Water use, biodiversity and natural resource management	Waste reduction; sustainable management of waste

Social			
Employment, health, safety and well-being	**Marketplace responsibility**	**Supply chain sustainability**	**Community care and engagement**
Employee H&S & well-being, sustainable employment practice, engagement, diversity & inclusion	Product impacts, safety and labelling in use and disposal, quality and value, customer care, data protection	Managing environmental, social and economic impacts of sourcing	Understanding & managing impacts on communities, including human rights; community investment

Governance		
Governance and ethics	**Risk and compliance**	**Commitment to su**
Governance good practice; sound business ethics management and culture	Robust risk and compliance management	Awareness, capability and commitment to run a resilient, sustainable business

Private Equity case study: Active ownership at open finance enabler Ozone API

Enabling open finance

In December 2023, Gresham House Ventures invested into Ozone API, a software company supporting the delivery of open finance for banks and financial institutions globally.

Board changes

Post-investment, a Gresham House investment director joined the board, while the associate director who led the deal joined as a board observer.

We also helped appoint an independent chairperson through our talent network who has extensive experience in the sector through her previous roles as the CEO of Virgin Money and founder of fintech company Snoop.

Senior management

Post investment, we assisted in appointing several new strategic hires to support the senior management team deliver the growth plan. These hires include a new Head of HR and a Head of North America.

Other actions

To help Ozone API in its ambition to scale its business, we also took the following actions:

1. We shared our Best Practice Board Pack for early-stage software as a service (SaaS) business to support their governance processes.
2. We developed a detailed 100-day plan which summarised the key due diligence findings to ensure that areas of improvement identified during DD were actioned post investment.

8.3 Forestry

Approach

Our Forestry investments are very long term in nature and through our management approach we proactively set out to improve the value and lifespan of assets through sustainable forestry management.

We integrate ESG considerations into the lifecycle of each investment as follows:

01 Sourcing

High-quality commercial forests across diversified age groups are sourced both on and off market. Various characteristics are assessed including geographical location, species mix, size, growth rates, local conservation, or species protection designations, and for new planting sites detailed surveys, including notably peat surveys, will check the land is appropriate for forestry.

02 Due diligence

The acquisition team conducts a rigorous and consistent multi-disciplinary due diligence acquisition process targeting high-quality productive forests across diversified age groups and geographies. Each forest is evaluated using the ESG Decision Tool to uncover material ESG risks and opportunities. This includes an assessment of whether a forest meets our internal sustainability commitments and can be certified to international and/or national certification standards.

Where possible, we will carry out site visits to verify that the due diligence assessment aligns with the data collected onsite. In addition, third party specialists are often employed to measure the volume of timber currently available on site, or in the case of new planting an indicative forest design will be prepared setting out where and what can be planted, whilst other surveys will be completed for new planting schemes to assess a wide range of characteristics including bird populations, archaeology sites and peat levels.

03 Acquisition

The Investment Committee must approve investment proposals. A summary of the ESG analysis is included in every Investment Committee submission. Once the Investment Committee has approved a proposal, an offer is submitted. If the offer is accepted, an acquisition report providing all the key details of the acquisition (including a section on ESG) is produced and is then sent to the client. In the meantime, the conveyancing is carried out by lawyers who prepare a report on title. We provide oversight of the entire transaction.

04 Ongoing management

We will work closely with forest managers to ensure forest plans are observed and achieved within expected timescales. Forest management plans include plans for how material ESG aspects will be managed over the project lifecycle.

Our certified sites are independently assessed by the appointed auditors, and we conduct our own checks against agreed standards, internal commitments and management objectives. Carbon captured by our forests is also monitored. Once the timber is harvested, we ensure that replanting is carried out in line with required standards.

Sustainable Investment Framework Application

Environmental

Climate change and pollution	Natural capital	Waste management
Optimisation of carbon sequestration and stores; reduction in operational emissions; climate transition opportunities; pesticide minimisation	Optimisation of woodland biodiversity; protection of priority habitats and species; considered pest, disease, soil and water management approach	Sustainable management of waste arising from forestry operations

Social

Employment, health, safety and well-being	Marketplace responsibility	Supply chain sustainability	Community care and engagement
Workers' rights protected; commitment to discrimination free, safe and fairly-paid employmentand employee training	Certification of forests in line with sustainable forestry standards; production of certified timber; transparent and robust carbon credit generation	Alignment of suppliers to our own sustainability commitments; alignment of woodland managers to certification standards	Good practice community relations and engagement; respect of local community rights; public access, education and recreation

Governance

Governance and ethics	Risk and compliance	Commitment to sustainability
Good forestry management practices; clear policies and accountability; ethical business conduct	Robust risk, compliance and auditing processes	Measurement and monitoring of key sustainability metrics; proactive management of potential negative ESG impacts

The integration of ESG considerations into our forestry investments is underlined by the following:

- All discretionary-managed forests will be managed in line with the Gresham House Forest Charter which outlines our internal commitments regarding sustainable forest management.
- We undertake good practice public consultation where new plantations involve change of land use and keep local communities informed of felling plans and other significant operational activities. We also engage industry stakeholders such as regulators, policy makers and industry associations to promote outcomes we believe to be in the interests of sustainable forestry and for our clients.
- Our UK assets work to the UK Forestry Standard and are certified to the UK Woodland Assurance Standard (UKWAS) and International Forestry Stewardship Council (FSC) accreditation. Our international assets are managed to relevant local standards and/or international standards including the FSC and the Programme for the Endorsement of Forest Certification (PEFC). These standards provide a set of thematic principles that we adhere to in our planning, management, felling and restocking cycles as well as the wider way in which we run our forest enterprises.
- Management plans are drawn up for each asset, setting out clear management objectives spanning both commercial and ESG outcomes and how the asset will be managed to meet these within its given prevailing conditions. Performance measurements are integrated into the plans, which are subsequently reviewed on an annual basis.
- Our team has significant specialist expertise, including professional qualifications from the Institute of Chartered Foresters (ICF), spanning both sustainable forestry practices and sustainable investment. We undertake regular relevant continuing professional development (CPD) to keep knowledge and outlook up to date and will continue to invest in developing our expertise and good practice in sustainable forestry asset management.
- We conduct regular monitoring of ESG risks, opportunities and performance in our investments and over time will prepare ESG data, including the metrics we commit to in our Forest Charter, for reporting to our investors.
- Our certified sites are independently assessed by FSC-appointed auditors and in addition we conduct our own in-house auditing against agreed standards and management objectives.

Gresham House
Specialist investment

Forestry's 2023 outcomes

- 193,000hectares of land under management
- 6.4 million trees planted, of which 1.7 million were newly planted trees and 4.7 million for restocking
- 1.9 million tonnes of carbon dioxide sequestered by total forests under management
- 83% of forests certified as a percentage of area
- 1.56 million tonnes of certified timber sold
- 18% of total land, by area, managed for biodiversity or conservation

The following case studies provide examples of how our sustainable investment processes, policies and commitments are applied in practice by our Forestry team.

Forestry case study: ESG factors leading to the decision not to invest

As mentioned above, all potential new investments undergo ESG due diligence prior to investment. We provide examples below whereby our team rejected potential asset acquisition opportunities because ESG factors failed to meet our strict sustainable forest management standards and criteria, as set out in our Forest Charter.

Example 1: Rejected on environmental grounds

We decided not to pursue a potential new woodland creation site in North England due to it failing our environmental screening. Roachburn contained extensive areas of UK BAP priority habitats, including blanket bog and upland heath. The site was also adjacent to sites with statutory designations (SPA, SAC) in the North Pennines Area of Outstanding Natural Beauty. This area is a significant upland refuge for threatened bird species such as curlew. In combination, we felt that the environmental impact of woodland creation would be detrimental to the existing biodiversity and we decided not to invest.

Example 2: Rejected on social grounds

At Tormaukin, we appraised a large area of farmland as a potential new woodland creation site. Much of the site had archaeological features associated with historic settlement and farming, as well as being associated with a neighbouring Scheduled Ancient Monument. We felt that the impact of new woodland creation on the site would be to the detriment of socially important historic features, and against industry best practice, and we decided not to invest.

Example 3: Rejected on carbon grounds

At Earlsburn, we identified that much of the soil underneath the existing forestry was deep peat. The trees growing on the site were being severely constrained by the associated wet ground conditions and were not a viable investment. The drainage that would be required to support better growth in the next rotation would severely degrade the peat soils and have a significant impact on soil carbon emissions. We deemed much of the site unsuitable for restocking as a result and decided not to purchase the property.

Gresham House
Specialist investment

Forestry case study: developing methods to better understand the biodiversity and ecology of our forestry assets

The challenge

Productive forests are often portrayed as “green deserts” or habitats supporting no biodiversity. Whilst we recognise that productive forests have different characteristics in terms of biodiversity to native woodlands, they are still habitats to many plant and animal species.

To date, there has been limited monitoring of biodiversity within commercial forestry assets by the industry and academia. In addition, data that is available has not been used consistently in forest development and asset management decisions.

The solution

In line with our Forest Charter and sustainable forest management commitments, we want to continue to enhance biodiversity for all the forestry assets we manage. Understanding the biodiversity within our forests will play a crucial role in deciding the composition and management approach adopted.

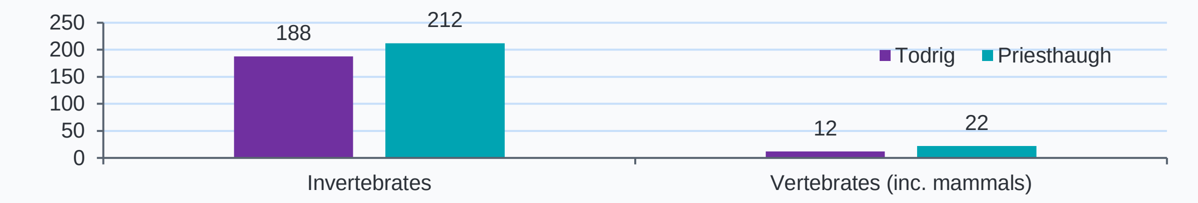
We are therefore trialling new technological options which make the measurement of biodiversity increasingly viable. In 2023, we applied environmental DNA (eDNA), a process whereby samples from water, soil or insects were analysed to identify DNA of species present

We undertook a study to explore the differences in patterns of biodiversity between open farmland that had been set aside for afforestation and mature, productive woodland. The pilot study compared a potential afforestation site (open hill pasture) at Todrig and mature productive woodland at Priesthaugh, controlling for environmental co-variates such as soil, climate and water catchments.

Initial results suggest that aspects of biodiversity associated with open pasture are maintained within sustainably managed forests, alongside woodland species.

However, species richness (alpha diversity) across invertebrates, vertebrates and mammals was marginally higher at Priesthaugh than the open hill ground at Todrig, with over 212 species recorded.

Species richness: open pasture vs. afforestation/open ground sites



8.4 New Energy

Gresham House’s New Energy strategy invests in three growth technologies supporting the shift from a world powered by finite resources to a rapidly evolving new energy system: Wind, Solar and Battery Energy Storage Systems (BESS). The strategy aligns with national and international goals to decarbonise energy generation and supports the transition to a low-carbon economy.

We integrate ESG considerations into the lifecycle of each investment as follows:

01 Preliminary due diligence

High level assessment carried out to identify material ESG matters requiring further investigation during the due diligence stage. If certain risks are unlikely to be manageable or mitigated, then we may choose not to proceed at this stage.

02 Due diligence

Our ESG Decision Tool is used to uncover material ESG risks that need to be mitigated and monitored and to identify ESG opportunities that have the potential to drive value, now or in the future. Where necessary specialist consultants are engaged to support the diligence process and a summary of the ESG analysis is discussed with the Investment Committee.

03 Investment appraisal

Investment recommendations to Investment Committees include an assessment of material ESG risks and opportunities identified in due diligence which are then factored into the decision-making process. Appropriate risk mitigation approaches will also be referenced and assurance that the business is open to making improvements is sought.

04 Asset operation

We aim to construct and operate our projects with minimal disruption to local communities and the environment. Construction and operational contractors are subject to ongoing review and the requirement to manage material ESG risks is included in contract terms. Compliance with planning conditions is stringently adhered to and monitored. We continue to assess how we can enhance positive environmental and social impacts of our projects.

Sustainable Investment Framework application

Environmental		
Climate change and pollution	**Natural capital**	**Waste management**
Optimal contribution to low carbon energy generation in the UK	Visual impact and biodiversity management	Waste reduction and sustainable management of waste in construction, operation and decommissioning

Social			
Employment, health, safety and well-being	**Marketplace responsibility**	**Supply chain sustainability**	**Community care and engagement**
First class H&S system; site safety policy	Maximum uptime and minimal local disruption	Robust policy relating to materials impact, quality and ethics	Good practice consultation; local investment strategy

Governance		
Governance and ethics	**Risk and compliance**	**Commitment to sustainability**
Governance good practice; strong business ethics management and culture	Robust risk and compliance management	Continuing enhancement of the portfolio and its impacts

The integration of ESG considerations into our New Energy investments is underlined by the following:

- We improve the value and lifespan of assets through extension of permissions and licences and the adoption of technology that increases and/or optimises renewable energy output without materially increasing land use or environmental impact.
- We participate in community led initiatives and grants to contribute towards the local economy, help to improve biodiversity and keep an open forum of communication with community stakeholders.
- Prior to investment, we will review and take heed of the environmental aspects of an asset, in particular the Environmental Impact Assessment where relevant, and any other technical studies required to gain planning permission, as well as the process for public consultation.
- Opportunities for enhancing the environmental benefits and minimising the environmental impact of projects is often assessed as part of this process, through Habitat Management Plans and in line with planning requirements. If done, the analysis will form part of our investment decision making, alongside other due diligence reports.
- Prior to investment and as part of ongoing asset management, we also consider the social impacts of our assets including supply chain risks and opportunities and engagement with stakeholders such as local communities. The safety of employees and contractors is of paramount importance for all our assets and is a key focus for ongoing management and monitoring.
- We will act to minimise any social risks and ensure compliance with relevant policies. As part of this approach, we consider certain sustainability credentials of our contractors and suppliers such as alignment with our Supply Chain Policy or contract terms.

New Energy's 2023 outcomes

- 418 GWh of renewable energy generated, equivalent to 129,136 homes powered and 177,348 tonnes of carbon dioxide equivalent avoided
- 690 MW of operational battery storage capacity, contributing to the avoidance of an estimated 678,000 tonnes of carbon dioxide equivalent avoided
- 140 MW of new operational battery storage capacity demonstrating additionality
- £532,000contributed to Community Benefit Funds

New Energy case study: delivering a two-hour battery at Grendon

Grendon is a newly built 50MW/100MWh battery in Northamptonshire and is the first two-hour operational project for Gresham House Energy Storage Fund (GRID). Two-hour batteries are able to support the grid during high or low renewable output over a longer period than shorter duration assets. They are an important part of the energy transition, allowing more renewable power to be stored and then released over a longer timeframe.

By storing electricity produced by excess renewable generation, the site can deliver power to 100,000 homes for a continuous two-hour period[9]. Using this renewable energy rather than burning gas to produce electricity could save 13,140 tCO2e per year[10]. This is the same amount of CO_2 generated as 4,530 return flights between London and Hong Kong[11].

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[9] 1 MWh is enough energy to supply the average power requirement for 2,000 homes for an hour – OFGEM https://www.ofgem.gov.uk/sites/default/files/docs/2006/04/13537-elecgenfactsfs.pdf

[10] Assuming 2 cycles a day and emissions from natural gas are 0.18kgCO2e/KWh – BEIS 2022 https://assets.publishing.service.gov.uk/media/62aee1fbe90e0765d523ca33/2022-ghg-cf-methodology-paper.pdf. 2 x 100MWh x 0.18kgCO2e/KWh x 365 = 13,140,000kgCO2e.

[11] An economy return flight to Hong Kong is 2.9 tCO2e – BEIS 2021 https://www.sgr.org.uk/living-targets/1-air-travel#:~:text=For%20example%2C%20using%20official%20UK,the%20lifecycle%20emissions%20of%20the

New Energy case study: battery supply chain audit to assess supply chain risks

The New Energy team remains cognisant of the operational, environmental and social risks that exist within their supply chains, and continues work to understand and manage associated risks. The focus to date has been on potential human rights related risks.

In 2022 we undertook an audit of our primary battery supplier, CATL, which verified that it had a framework in place to manage ESG risks, and that its policies were deemed to be satisfactory.

In 2023 we built on this to identify a provider who could evolve our approach to supply chain management in the following ways:

- Review, evaluate and update our supply chain policies across each of our New Energy asset types, ensuring they effectively address material risks and upcoming regulation.
- Undertake additional ESG due diligence on our core suppliers in line with our updated policies and industry standards.

We aim for the above work to be carried out in 2024 and beyond.

8.5 Sustainable Infrastructure

Gresham House's Sustainable Infrastructure strategies invest in future-proofed sustainable solutions for all aspects of our lives, from how we live, work, learn, travel, eat, stay healthy and protect nature.

We take a thematic approach to investing, allocating to the following sub-sectors in a diversified and holistic way to take advantage of the most attractive opportunities available in each:

Decarbonisation
Hydrogen and EV infrastructure, heat solutions, energy transition infrastructure

Waste Solutions
'Closed-loop' and on-site waste processing solutions

Resource Efficiency
Sustainable food infrastructure, hydroponic farming, alternative proteins

Digital Inclusion
Fibre and gigabit networks, data centre infrastructure

Health and Education
Dementia and specialised healthcare, SEN schools, nurseries, and vocational training

Regeneration
Biodiversity net gain habitat banks, nature based solutions

We integrate ESG considerations into the lifecycle of each investment as follows:

01 Preliminary due diligence

Assess an investment's potential sustainability outcomes and alignment to the UN Sustainable Development Goals (SDGs) and their underlying targets. If an investment does not provide appropriate sustainability outcomes or if certain risks are unlikely to be sufficiently managed or mitigated, then we may choose not to proceed at this stage.

02 Initial assessment

Desktop analysis completed to ensure all negative and positive externalities are considered and ESG matters requiring investigation in 'Due diligence' stage are identified. A forum of

Gresham House individuals, including the Sustainable Investment Director, completes an initial review which is then followed by a short discussion with the Investment Committee.

03 Due diligence

ESG Decision Tool is used to uncover material ESG risks that need to be mitigated and monitored, and identify ESG opportunities that have the potential to drive value, now or in the future. Where necessary specialised consultants are engaged to support the diligence process and we then work closely with the investee management team to put an action plan in place to either mitigate or capitalise on these ESG factors. The Sustainable Investment Team may also be asked to assess and comment on the sustainability credentials of an investment.

04 Investment appraisal

Investment Committee submissions include a full sustainability assessment of applicable positive and negative externalities, including material ESG risks and opportunities identified in due diligence which are then factored into the decision-making process. Appropriate risk mitigation approaches will also be referenced and assurance that the business is open to making improvements is sought. Proprietary impact framework, closely tied to the principles of the Impact Frontiers, is applied to investment.

Our investment documentation includes a sustainability commitment to which the investee management team must sign up to. All portfolio companies will implement a business-wide Sustainability Policy and Diversity & Inclusion Policy.

05 Holding period

We take a very active role in the company's strategic direction via regular engagement with the Board, including Gresham House representation where possible, to provide robust oversight and governance. These meetings will focus on strategic, financial and operational matters, including ESG factors. Regular monitoring of ESG KPIs is undertaken by the investment team, the Board and the Investment Committee.

Gresham House
Specialist investment

Sustainable Investment Framework Application

Environmental

Climate change and pollution	Natural capital	Waste management
Facilitating the transition to a low-carbon economy; innovative pollution prevention systems; land use efficiency in food production	Biodiversity and local environmental impact management; resource efficiency and use of more sustainable input resources	Waste reduction, sustainable waste management and circular economy

Social

Employment, health, safety and well-being	Marketplace responsibility	Supply chain sustainability	Community care and engagement
Creation of quality local jobs; robust H&S systems; community safety	Design for positive outcomes, safety, quality, wellbeing, inclusiveness and durability	Robust sourcing policy including: environment, ethics, quality and contribution to the local economy	Understanding and acting on local stakeholder needs and concerns; transparent communications and supporting the local economy

Governance

Governance and ethics	Risk and compliance	Commitment to sustainability
Good practice governance; sound business ethics management and culture	Robust risk and compliance management; monitoring of regulatory and policy change	Clear objectives for positive social and/or environmental outcome delivery alongside robust financial returns

Gresham House
Specialist investment

Infrastructure case study: pioneering habitat banks as a new infrastructure asset class

In 2021 Gresham House's Sustainable Infrastructure division invested in Environment Bank Ltd (EBL). Through the provisions of the Environment Act 2021, which provides the legislative catalyst to define a biodiversity marketplace, Environment Bank creates landscape scale habitat banks from unproductive land. This is a new infrastructure asset class which creates and sells biodiversity net gain (BNG) to developers who require it to satisfy planning obligations in England, and/or to corporates who wish to become nature positive. Habitat banks thereby form part of the solution to the existential threat of biodiversity decline and climate change.

Delivering Emberton Habitat Bank at Wood Farm, Milton Keynes

Emberton habitat bank is a 38-hectare site on Wood Farm, north-east of Milton Keynes.

The proposed habitat bank is located within Wood Farm, a working farm and campsite. The location of the habitat bank will provide connectivity to parts of Wood Farm where habitat creation has previously been undertaken, such as a recently planted woodland.

Habitats on site currently comprise two large fields with very limited arable weed or botanical interest.

Strategic significance of the site

The site at Wood Farm is located within the National Habitat Network, within Biodiversity Enhancement Zone 2. These are areas which connect existing areas of primary and associated habitats and where the creation of additional green infrastructure is desirable.

Creating habitats within this area will connect existing ancient woodland and local wildlife sites within the surrounding area. There are opportunities to buffer and extend these priority habitats while also increasing the connectivity to the wider landscape. Wood Farm also includes opportunities for the restoration of lowland meadow and the creation of hedgerows which are identified within the Biodiversity Action Plan.

Overview of habitat proposals

The target habitats include lowland meadow, other neutral grassland, mixed scrub and native species rich hedgerows. These habitats have been identified taking into consideration the wider landscape character of the area, the environmental conditions of the site and in collaboration with the landowner. Details are included within the Habitat Enhancement and Management Plan which is a schedule to the Habitat Management agreement entered into between Environment Bank and the landowner.

Over the next 30 years, this site will become established, reach target condition and be maintained as high quality habitats delivering biodiversity net gain.

8.6 Real Estate (UK Housing)

We offer long-term equity investments into UK housing, through listed and unlisted housing investment vehicles, each focused on addressing different areas of the UK's well documented structural shortfall in housing.

Our investments aim to deliver stable, secure inflation-linked returns whilst providing wider social and environmental benefits to all stakeholders including our residents, the local community and wider economy. Where relevant, our funds can invest through one of the two wholly-owned, for-profit Registered Providers of Social Housing, ensuring they are managed with the highest standards of governance, financial viability and resident welfare.

In Ireland, we provide investments into commercial property – office, retail and industrial properties in the greater Dublin area and major regional urban centres. Please note that our investments made through

Gresham House Asset Management Ireland Limited (GHAM Ireland Ltd) are not covered by this UK Stewardship Code Report.

The UK Housing division invests across three core areas:

- Shared ownership: providing an affordable route to home ownership for people on lower and middle incomes.
- Independent retirement rental: providing fit for purpose homes for retired people, allowing them to maintain their independence for longer, whilst freeing up larger homes for families.
- Build to rent (BtR): providing high-quality and fairly priced homes that are affordable for those on lower and middle incomes, whilst bringing forward more new homes by working in partnership with builders and developers.

We integrate ESG considerations into the lifecycle of each investment as follows:

01 Sector analysis and strategy setting

Integration of sustainability considerations starts at the point we design our investment strategies. The UK Housing sector covers a broad spectrum of sub-sectors so choosing the most appropriate areas to invest is key. All our funds share a similar underlying strategy focusing on housing that is affordable for the UK mid-market.

02 Desktop analysis

The initial stage of due diligence is based on all relevant available material; this allows the investment team to assess whether the proposed investment meets agreed ESG objectives.

The ESG Decision Tool is used to identify material ESG risks that need to be mitigated and monitored, and to identify ESG opportunities that have the potential to drive value, now or in the future.

03 Execution

A more detailed review of previously identified fundamentals is carried out through a combination of site visits, engagement with professional advisors, and discussions with any operational partners. Investment Committee submissions include an assessment of material ESG risks, opportunities and mitigation requirements identified in due diligence which are then factored into the decision-making process.

04 Long-term management

We work closely with managing agents to ensure they operate in line with best practice standards and deliver on expectations. Certain ESG related KPIs are monitored and if applicable we will continue to monitor operational partners.

Sustainable Investment Framework Application

Environmental

Climate change and pollution	Natural capital	Waste management
Energy-efficient housing; renewable energy where possible; access to public transport where available	Water-saving measures where possible; regeneration of brownfield sites	Where feasible, sustainable management of waste arising from refurbishment, maintenance and management of the portfolio

Social

Employment, health, safety and well-being	Marketplace responsibility	Supply chain sustainability	Community care and engagement
Safety and well-being of residents is a priority; application of best practice standards; quality employment	Affordability and quality in all tenure types; widening access to home ownership; proactive protection of residents' interests and customer charters	Sourcing policy ensures management teams have required knowledge of local areas and meet regulatory requirements	Contributing to community stability and environmental quality; housing that is accessible to jobs and amenities

Governance

Governance and ethics	Risk and compliance	Commitment to sustainability
Good practice governance; strong business ethics management and culture	Robust risk and compliance management; monitoring of regulatory and policy change	Clear objectives for positive social and/or environmental outcome delivery alongside robust financial returns

Our UK team has extensive expertise across the investment cycle in each of our strategy tenure models, from origination to due diligence and the long-term management phase. We also continue to invest in developing our understanding, expertise and good practice in delivering long-term sustainable and affordable outcomes associated with our asset selection and management.

We choose partners, management teams and contractors, where applicable, who share our commitment to delivering positive outcomes in our housing portfolio.

Real Estate case study: innovative financing solutions to support the delivery of shared ownership housing in the UK

ReSI LP aims to deliver quantifiable social and environmental impact by providing middle to low-income earners with an affordable route onto the housing ladder through shared ownership.

In December 2023, ReSI LP secured its first sustainability-linked loan with MUFG. The £30 million credit facility includes sustainability KPIs relating to the continued reduction of carbon emissions and the delivery of increasingly energy efficient homes. These include:

1. Reducing the carbon intensity of the portfolio (kg CO_2e/m^2) in line with the requirements under the Science Based Targets initiative (SBTi)
2. Increasing the percentage of forward funded shared ownership homes that have an Energy Performance Certificate (EPC) of A
3. Increasing the percentage of forward funded developments where embodied carbon emissions can be reported

These KPIs align with the Fund's impact objectives, helping to create aligned incentives to achieve its sustainability targets.

9. Our approach to engagement

Across our investment activities, we engage directly with numerous stakeholders including investors, investee companies and project counterparties. It is central to our philosophy that we take a hands-on, active ownership approach to our investments to ensure the best result for both shareholders and clients.

Our engagement approach and focus will differ across our various asset classes. Across all our divisions, we strongly believe engagement is an essential part of being an effective steward of our shareholders' and clients' assets.

9.1 Strategic Equity – UK Public Equity

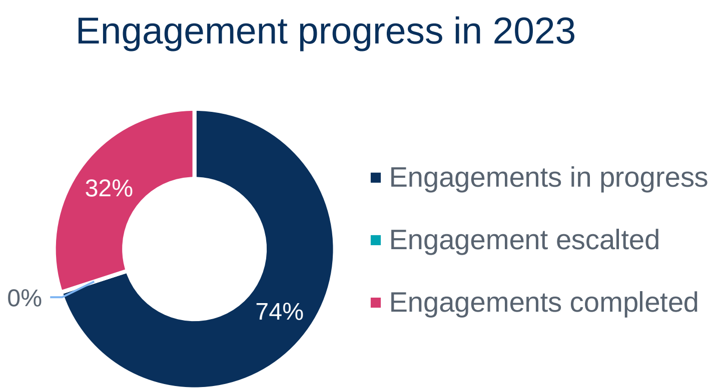
We encourage an open and honest dialogue between ourselves and the companies in which we invest as this is an essential part of being an effective steward of the investments we make. Investing in smaller businesses means we place great importance on our ability to work with company management through engagement activity to make improvements and protect long-term value.

Our assessments of management, board and governance forms a critical part of the investment case, which necessitates that we work with companies on matters such as strategy, mergers and acquisitions and remuneration, both from the outset of the holding period and on an on-going basis.

We will meet face-to-face with the management team of a publicly listed company at least once a year, and more frequently when we own a material share of a company. These meetings form the basis of ongoing monitoring of a company strategy, financial performance and ESG considerations. We are often one of the largest shareholders in investee companies and therefore have the opportunity, where deemed appropriate, to influence changes that we feel will have a significant impact on shareholder value.

2023 UK Public Equity engagement activities

- 100% of companies met by our team
- 108 engagements with investee companies on ESG matters



Engagement process

Our Public Equity teams follow a six-step engagement process that supports a focused approach to the identification and prioritisation of engagement activities. The process allows us to record, monitor and report on progress against engagement objectives set.

Gresham House
Specialist investment

- Identify potential engagement targets and specific topics for engagement
- Engage: Engage with the company to drive change. Log the objective and timeline
- Prioritise: Determine the most material engagement targets and create a list of priorities
- Monitor & respond: Monitor progress of engagement activities. Amend investment position or escalate if required
- Plan: Create an engagement plan
- Report: Report progress of engagements and outcomes to stakeholders annually

In 2023, the UK Public Equity team reviewed and updated its approach to ESG engagement with portfolio companies.

Since the inception of our funds, the team has proactively engaged with management teams and boards on governance issues deemed material to investment outcomes. Examples include discussions around management and board composition, or consultations on long-term incentive plans designed to align key businesspeople with shareholder value creation. While engagement in such areas will continue to support investment performance, our review highlighted the need to broaden our ESG monitoring and engagement process to cover a wider variety of issues.

We sought to introduce an automated and repeatable process which would enable us to proactively monitor and engage with portfolio companies based on objective third-party data, spanning almost twenty ESG issues. Each of these affect multiple stakeholders and are increasingly intertwined with financial outcomes. Newer focus areas for increased monitoring include: ‘live’ carbon reporting and intensity; progress on net-zero policy; various diversity and inclusion metrics; alignment of business practices with recommended UNGC or OECD principles; and threat to investment value posed by negative news flow.

We process new data on a monthly basis using a proprietary scoring model, ranking our portfolio companies on their aggregate ESG ‘quality’ and ‘transparency’. We then generate red flags for certain companies and disaggregate drivers of ‘lower quality’ or ‘lower transparency’ to highlight possible areas of engagement.

In 2024, we are taking steps to further enhance the new monitoring and engagement process, introducing a wider variety of ESG metrics and sector benchmarking. We think these iterations will better contextualise the metric data on our portfolio companies and will broaden our comparative frame of reference to capture our entire investible universe.

9.1.1 Identifying engagement objectives

For engagement activities to create value, they need to be bespoke and material to the organisation and important to the development of the business. Objectives may change over time depending on factors such as business priorities, market forces and stakeholder considerations.

Engagement should involve the setting of an objective that aims to protect or enhance the value of the investment. The identification of such engagement opportunities or requirements requires a consideration of what issues are most material to an investment.

It may be considered that the team’s level of shareholding or influence is limited for certain investments and that engagement is unlikely to lead to positive outcomes. In such circumstances, the investment team will decide whether they are comfortable that expected financial returns reflect sustainability-risks. If not, the team may decide not to proceed with the investment or to sell the asset.

Our investment team uses several mechanisms which help them to identify key strategic topics that should create value over time.

At pre-investment, this includes:

- Meetings with company representatives, industry experts and the team's network, or brokers to better understand all aspects of the investment case and identify potential engagement actions.
- Completion of our proprietary ESG Decision Tool to support the identification of material environmental, social and governance risks and opportunities. The Tool prompts a consideration of ESG risks and, where possible, the identification of actions, or engagement objectives, to mitigate risks to be included in Investment Committee papers.
- Investment papers are completed for all potential investments prior to investment. These papers prompt a consideration of ESG factors, financials, strategy, management, and market position as part of the pre-investment assessment, and include an Action Plan section which may include engagement objectives.

Once invested, this includes:

- Regular meetings, at least once a year, with company representatives including the management team which may highlight new or changing strategic, financial or sustainability-related risks.
- Risk monitoring which includes a review of controversy information updated on a quarterly basis by the team's ESG data provider. The team also monitors news flow as relevant.
- Quarterly review of ESG KPIs for the team's holdings based on the team's ESG data platform. The team will focus on metrics with material changes, metrics that flag as outliers, or metrics that pose concern to identify potential engagement objectives.
- Conviction scores are maintained for the majority of our investments, which incorporate a quantitative and qualitative analysis of various business parameters, including relevant ESG factors and reflect the team's level of confidence in the investment case. Conviction scores contribute to investment decisions and changes in portfolio positions through ongoing stock review. Change in conviction score may also correspond to the setting of relevant engagement objectives.

Engagement case study: Governance / Chair Recruitment

Engagement focus: Governance / Chair Recruitment

How we engaged: Meetings with executive management and significant shareholder, introduction to potential Chair candidate

Who we collaborated with: Significant shareholder

One of our investee companies required a new Chair following a change in Board roles. Based on our knowledge of the sector and our network we identified a credible Chair candidate.

We introduced the candidate to the Board and to the company's significant shareholder, and that candidate is now in consideration for the role.

Outcome: ongoing pending the Board's recruitment process

9.1.3 Prioritisation of engagement

Our commitment to a core set of governance principles and to active engagement with portfolio companies remains consistent between investee companies regardless of the size of our holdings. Our UK Public Equity team invests in over 100 companies across their portfolios. Prioritisation of engagement activities is therefore important to manage team resources effectively.

The level of engagement is calibrated based on our assessment of each company, the risks, opportunities, the probability of achieving change and the potential value at-risk or value enhancement from the engagement. We aim to focus engagements where we believe we can drive the most material change or where the engagement activity is most likely to impact on shareholder value.

Key elements our team considers when prioritising engagement activities include:

- Shareholding - we recognise that our level of influence and ability to achieve change is likely to vary depending on the size of our investment in a company. Therefore, we consider our shareholding as part of the prioritisation stage with a particular focus on companies where we have the largest shareholding.
- Net asset value – we consider the position of a company within our funds and may prioritise holdings that most meaningfully impact total fund net asset value.
- Materiality of engagement topic – while harder to define, we will prioritise engagement activities that we believe are most material to the investment's future value, either by protecting downside risk or enhancing value. This may relate to reputational risk or opportunity, business strategy, or financials.
- Our Corporate Sustainability Strategy – as a business, we have identified priority topics within our Corporate Sustainability Strategy. Priority topics, particularly across thematic areas such as supply chain management and climate change, may also contribute to the prioritisation of engagement activities.

9.1.4 Escalation

A key part of our engagement process is to monitor progress against the engagement objectives set and to respond to company activity, or inactivity, against the stated objective where appropriate.

When engaging with companies, we aim to clearly state what we would encourage the company to do, why we think this will add value for the company, and by when. If a company does not respond to or implement the stated objective, we may respond.

Response options

Responses will vary based on the specific circumstances of the engagement and the relevant materiality. Response options include:

- Change in investment position (increase or decrease investment in the company).
- Exit from the investment position (sale of holding in the company).
- Escalation.
- No change.

Given the context of our engagement activities varies widely by investee company, we have not developed formal objectives for escalation. We nonetheless have very clear, even if informal, objectives to escalate that are applied on a case-by-case basis.

Escalation approaches

Typically, escalation is considered where we oppose proposed changes that could be detrimental to shareholder value or where management teams or the board fails to respond meaningfully to our engagement objectives to create positive change. Specific situations across our investee companies can differ significantly so we do not apply a one size-fits all approach. Instead, we apply a principles-based approach when it comes to escalation factors and will discuss within the investment team the best course of action which may involve:

- Further engagement with the company, including with Non-Executive Directors which may include formal letters or communications.
- Use of voting rights, including the filing of resolutions.
- Discussions with other shareholders.
- Annual General Meeting (AGM) or media statements.
- Exiting the investment.

Where engagement with management teams proves unsuccessful, the investment manager will reach out to Non-Executive Directors (NEDs) or the Board Chair. We adopt this approach since our preference is always to work collaboratively with the company. If this also proves unsuccessful, we will reach out to other shareholders, making a public statement if deemed necessary. If this also fails to deliver the desired outcomes, we will then seek to exit the investment. If the issues at stake are materially at odds with our commitment to preserving shareholder value or our externally communicated principles, we will escalate or exit the investment.

Escalation drivers

Historically, there have been three issues over which we will escalate more widely should we be unable to resolve with the management teams. These are:

- Takeover bids.
- Acquisition plans.
- Governance matters.

These matters are deemed critical in preserving and increasing shareholder value. Escalation is not restricted to these issues however and we will consider escalation as deemed appropriate.

Escalation via formal shareholder letters or other public avenues is typically a last resort.

Case study: escalating engagement on strategy, incentives and value realisation at Medica

Our UK Public Equity team engaged with Medica Group, a global provider of teleradiology services, by holding direct meetings with the management team, in conjunction with input from our healthcare and M&A networks. The aim of these engagements was to:

- Support the company's inorganic growth ambitions;
- Solidify its positioning on AI/digital strategy;
- Maximise alignment between management and shareholders and close the material valuation gap relative to comparable M&A transactions.

Additional actions: We provided c.£2mn of follow-on funding to support Medica's acquisition of RadMD, giving the company a foothold in the clinical trials market and further diversifying the company's geographic exposure.

Over the following two years we increased our shareholding from c.12% (at the time of the fundraise) to c.20%, becoming the company's largest shareholder, which allowed us to engage further on several initiatives.

With regards to its AI and digitalisation strategy we engaged with the company to gain comfort on potential disruption to traditional teleradiology solutions, using our healthcare network to support conviction that Medica was well positioned to benefit (not least through its partnership with Qure.AI).

We also engaged at length with the Chairs of both the Board and the Remuneration Committee to ensure that the management team were sufficiently incentivised to drive outperformance, whilst ensuring alignment with the shareholder base.

Finally, through our M&A network we were aware that the company traded at a substantial discount to the valuation multiples paid in recent, directly comparable transactions, and that there had been little evidence of this discount closing despite Medica's strong trading performance. We therefore encouraged the company to seek independent financial advice to challenge or corroborate this assertion, and to help form a view on the relative merits of remaining as an independent listed company rather than undergoing a recommended takeover.

Outcome: Following the above engagement, in July 2023 the company was acquired pursuant to a recommended cash offer by IK Partners, a European private equity firm, at a valuation multiple that we viewed as attractive relative to M&A transaction benchmarks and to Medica's independent prospects. To help de-risk the transaction we provided a soft irrevocable undertaking to vote for the offer, which could fall away if a competing offer were tabled. This provided us with an attractive all-cash realisation event for a significant holding in the trust.

9.1.5 Collaboration

Across our public equity activities, our primary means of engagement is directly with portfolio companies due to our active management approach. There may be reason however to collaborate with other shareholders (or stakeholders) to drive improvements in shareholder value.

We would consider collaborating on matters of governance as we believe strongly that this is one of the most important drivers of investment performance. We will explore collaboration with other shareholders in instances where we find this to offer the best route to effecting necessary change.

9.2 Strategic Equity – Private Equity

We invest primarily via venture capital (VCT) funds which are evergreen funds investing in earlier stage, fast-growing businesses. Our strategy offers investors access to entrepreneurial high growth, earlier stage, and lower mid-market private companies. We specialise in scaling software and digitally driven businesses in the healthcare, consumer, and services sectors.

Whilst we typically take a minority equity stake in our portfolio companies, we seek to actively engage to help founders deliver their growth ambitions. This frequently involves taking a board seat or becoming a board observer, which ensures sufficiently frequent levels of communication with the management team. After the deal, we might engage with specialist consultants from time to time, but we handle most of the engagement process ourselves. Communication frequency varies depending on the needs of each company. We may speak with the management of a particular company from many times per week to once per month.

Through this active involvement we seek to deliver strong year-on-year growth in fund net asset value through building businesses which are attractive targets for either strategic trade or larger private equity acquirers.

100%

Engaged with all our active unquoted portfolio companies in 2023

78%

Contributed to boards as a member or observer on the majority of our portfolio companies

9.2.1 Defining engagement objectives

During and immediately post due diligence, we work closely with the management team to identify and agree a set of strategic and tactical milestones that we expect the management team to achieve over the first 100 days of our holding period (and up to a year post investment). This means focusing on near term changes which may be required for operating and reporting processes, such as board representation, governance policies and new hires, and strategically this could involve identifying key milestones which are important to the development of the business and driving long-term value. We have also developed a Best Practice Board Pack for early-stage software as a service (SaaS) businesses to help them scale their businesses, including information on good governance and best practice. This has evolved with the help of the Sustainable Investment Team to include information on ESG best practice and ESG risk management tools that can be used by businesses across various sectors. We also run quarterly educational ESG Webinars for portfolio companies. Strategic changes may be amended over time depending on several factors, including business priorities, market forces and stakeholder considerations. Identified objectives provide a framework which forms the basis of our discussions with companies during board meetings or other regular engagements.

Case study: Informing engagement objectives using our Private Equity ESG survey

In 2023 we undertook our third annual ESG survey to understand how the unquoted investments held within our VCT portfolios are responding to relevant ESG risks and opportunities and how these are considered as part of their operations.

The survey asked unquoted investee businesses a range of questions based on the ESG_VC framework across a range of material environmental, social and governance factors. It asked them to indicate the relevance of those material ESG factors to their business, as well as their ability to influence those factors.

The results were analysed by our Sustainable Investment Team and overlayed with a well-known sustainability materiality assessment to understand if companies were aware of the most significant ESG risks to their business types.

We survey our investee businesses for the following reasons:

- It helps to develop an understanding of how portfolio companies think about ESG, and what ESG data is already being reported on and monitored. It also provides a simple way for us to communicate with companies as to how they compare against their peer group.
- Repeating the survey annually allows companies to demonstrate progression against material ESG issues and forms the basis of meaningful ESG engagements with our unquoted portfolio companies.
- It demonstrates our commitment to being responsible active owners and to use that position of ownership to influence the behaviour of investee companies for the better.

While the survey used a scoring system, a company's score does not pass judgment on the response. It is an indication of the proportion of suggested initiatives and policies that the business has adopted or is intending to adopt over the next 12 months.

Overall, companies have adopted 57% of the ESG initiatives and policies listed in the survey. This compares with 50% for 2022 on a like-for-like basis, highlighting the work that investee businesses have done over the last 12 months to further integrate ESG considerations into their business models.

Case study: engaging with portfolio companies through educational ESG webinars

Throughout 2023, we held a series of educational webinars for the Chairs, CEOs and executives of unquoted and quoted investee businesses to enhance their knowledge of material ESG issues.

The webinars provided a toolkit for investee businesses to better integrate ESG and sustainability into their businesses, and covered:

- Education and materiality - understanding ESG, its importance and how to identify material ESG issues.
- Governance - how to optimise governance structures to identify and manage ESG risks and opportunities.
- Strategy - how to set a sustainability strategy and develop an ESG policy.
- Risk management - how to incorporate ESG into risk management processes.
- Metrics and targets - how to set measurable ESG KPIs and targets.

The full series is available to view here: [ESG webinar series - Gresham House Ventures].

9.2.1 Prioritisation

We segment our portfolio based on what we believe the returns potentially are from a company but also based on how much influence we have with the management team. The more influence we have, typically the higher the potential return is.

The prioritisation of our engagement varies on a case-by-case basis but is largely dependent on our valuation assessment of the company and its growth projections. We believe flexibility in approach enables dynamic responses to the needs of each business which all face unique challenges.

In 2023 we prioritised our engagements based on the outcomes and analysis of our ESG Survey in two ways. Firstly, when completing the survey, investee businesses were able to signal whether they intended to undertake a particular initiative, such as undertaking a firmwide diversity and inclusion survey, over the following 12 months. In this instance we will engage to support businesses with their own sustainability ambitions. Secondly, our own analysis of each company's ESG survey identified sustainability areas that we feel companies should be improving on. Both items have been included into quarterly board packs to ensure that investment directors engage regularly on such issues.

Prioritisation may also be driven by thematic engagement targets to support our Corporate Sustainability Strategy.

9.3 Forestry

Our engagement approach in our Forestry division is primarily with landowners, forest managers, host communities, and the wider market.

As the largest private commercial forestry manager in the UK, Gresham House has been at the forefront of interacting with government departments and relevant bodies in the management, development, and increased planting of forestry in the UK - especially in Scotland where the majority of commercial conifer is grown. Government agencies and other key forestry stakeholders we have engaged include:

- Scottish Cabinet Secretary for Rural Economy and Tourism and Natural Resources Wales (NRW) to provide input to discussions around government policies on rural land use and woodland creation.
- Confor, the industry association for sustainable forestry in the UK. Our Managing Director, Forestry, Olly Hughes, sits on the Advisory Board to support the strategic direction of Confor's work programme and provide advice on arising matters.
- Woodland Carbon Code around the creation, eligibility criteria, registration and application of carbon credits for woodland creation in the UK.
- The Forest Industry Safety Accord (FISA), where we are on the landowners' representative board. The FISA set out industry commitments to raise the standard of health, safety, and welfare in forestry management. We participate actively in this organisation to influence and drive better work practices in the forest management sector.
- The Integrity Council for the Voluntary Carbon Market (ICVM), where we were a part of the Member Consultation Group and provided an open letter on forestry and Core Carbon Principles.
- The UK Forestry Standard (UKFS), to whom we provided a letter in response to their consultation on updates to the standard which guides sustainably managed forestry in the UK. Our letter included feedback on topics including the management of carbon in forests, the consideration of forest resilience and climate change adaptation, biosecurity and the need to pay greater attention to people working within forest supply chains.

The forest managers we employ to manage a forest have their own schemes of certification and they are externally monitored by the Forest Stewardship Council. Most forest managers are also members of the Institute of Chartered Foresters (ICF). These forest managers are engaged on a service level agreement (SLA) for certain standards of forest safety, and specification agreements between us and them cover what we expect from them.

Any major operations are carried out in consultation with forest neighbours and community councils. We always seek to ensure any legitimate concerns are addressed.

Case study: community engagement central to forest development

The challenge

Debates over land-use are increasingly impassioned as society seeks to address multiple environmental and social challenges with limited land and natural resources. It is essential that we ensure local communities understand why we are investing in and creating sustainable productive forestry and that their voice is heard as part of this process.

The solution

We are committed to including local communities in all our forest development and management activities. Forests create significant benefits for local people including the provision of access for recreation and education, mental and physical health benefits, as well as providing local jobs and economic value to local rural communities.

New forest developments are complex and detailed processes. Our Forestry team engages with local communities throughout the process and tries to provide for as many competing interests as possible whilst still ensuring the delivery of investment strategies for our clients. The case study below provides an example of how we do this.

Gresham House completed the acquisition of c.800 hectares (ha) of land for woodland creation on the Fasque estate, near Fettercairn in Aberdeenshire.

Since the acquisition, 336 hectares of native productive conifers (Scots pine) and 78 hectares of Norway spruce have been planted, while 47% of the land is being managed primarily for the conservation or enhancement of biodiversity. Fasque is the largest Scots pine scheme in the Grampians, aiding the reforestation of Scotland's native pine forest.

Today, the site is a multispecies plantation that will provide an evergreen resource of sustainable timber production, biodiversity benefits, as well as income, employment and leisure for the local community.

Communities and people

We believe that sustainable forest management requires engagement, not just with those who live close to the trees, but the wider population that enjoy woodlands for recreation, leisure and tourism activities. Planting the Fasque Estate involved a consultation process integrating viewpoints from a wide array of stakeholders, including but not limited to:

- Fasque Estate
- Scottish Forestry
- Local Residents
- Historic Environment Scotland
- Walking groups

The consultation process was key in gaining local support for the scheme and no grievances were raised about the final design.

Income and employment

We believe sustainable forest management demands engagement with local communities to deliver beneficial social and economic outcomes. A duty of stewardship underpins our approach, ensuring that all in-forest operations utilise local contractors, where possible, to guarantee the associated economic and social benefits for local communities.

At Fasque, all aspects of the planting process, including ground preparation, planting, fencing and deer management have been undertaken by Scottish contractors and the majority of the trees have been sourced from nurseries in the North of Scotland.

More detail on this case study can be found in our latest Sustainable Investment Report.

9.4 New Energy

9.4.1 New Energy – Battery Energy Storage Systems (BESS)

The engagement approach in relation to the battery energy storage systems activities is primarily focused on our work with developers, landowners, planning authorities, contractors and equipment suppliers during the development and contracting/procurement/construction process, as well as investors. During the operational phase of the project, we will engage with several stakeholders including local communities, insurers, operations & maintenance contractors, asset optimisers (traders), the Environment Agency, and even local fire services to ensure they are familiar with how batteries behave in the unfortunate event of a fire (which has not happened on our sites to date).

Engagement is focused to maximise the efficient operation of BESS that help balance the UK electricity grid, allowing it to make optimal use of intermittent renewable energy generation in the UK electricity generation system.

9.4.2 New Energy - Wind and Solar

Our engagement approach is primarily focused on our work with developers, asset owners and equipment suppliers during the procurement process and power purchasers, local authorities, operations & maintenance providers and local communities during the operational phase of the project.

Engagement is focused to maximise the delivery of renewable electricity for local and national distribution in a safe and efficient manner with minimal disruption to local communities and habitats.

We also engage with industry associations and government representatives to further promote the renewables market. This includes:

- RenewablesUK, an industry trade association whose role is to maximise the renewables opportunity and create the conditions that will see the renewable sector continue to thrive in the UK
- Energy Storage Networks, an industry trade association focused on Energy Storage
- Office and Gas Electricity Markets (OFGEM)
- Department for Business, Energy & Industrial Strategy (BEIS)
- National Grid, an ESO (Electricity System Operator) to be renamed FSO (Future System Operator), the entity which ensures that supply and demand are balanced, and ensures electricity is delivered within tight parameters to maintain system quality at the lowest cost.
- Solar Energy UK, a solar trade association whose mission is to empower the UK solar industry.

Case study: collaborating and engaging with industry stakeholders to drive change

There is increasing urgency to reduce carbon emissions worldwide and to limit global warming. The New Energy team is fully committed to investment in and development of new renewable energy generation assets and BESS.

Both technologies play an important role in shifting power systems away from fossil fuels to low carbon energy sources and the team contributes to the decarbonisation of energy systems by:

- Investing in additional battery energy storage systems and renewable asset capacity
- Engaging with key stakeholders to drive industry change

The New Energy team continues to engage with key industry bodies and government representatives to encourage policies and regulation that support accelerated decarbonisation of energy systems and the technologies that underly this transition.

In 2023, we joined Solar Energy UK's Responsible Sourcing Steering Group. This group aims to work with key stakeholders and unravel the complexity of the sector's supply chain, engaging with suppliers and business partners to implement a responsible sourcing programme.

The Group developed a new responsible sourcing statement designed to promote the highest possible levels of transparency and sustainability throughout the solar value chain. It also developed the Solar Stewardship Initiative, a solar-specific supply chain assurance scheme with a dedicated environmental, social and governance standard.

Case study: community engagement at Harborough

Developing and retaining strong relations with local communities is a key aspect of the New Energy team's sustainable investment commitments. It is also increasingly important in the approval process for new asset development.

Gresham House acquired project rights to Harborough, a ground mount utility scale solar park currently under construction near Rugby, Warwickshire, and due to become operational in 2024. Once complete, the project will be capable of supplying enough electricity to power over 7,700 homes annually, [12] avoiding around 11,500t of CO_2.[13]

Community benefit

During the planning phases of the project, developers engaged with various stakeholders including the local community through the parish council. The fund will make an upfront payment aimed at assisting the local community in achieving its objectives. This payment will be crucial for the construction of a new child's play park in the village as other sources of funding will become available to the community once this initial deposit has been made. Furthermore, the fund is dedicated to providing an annual recurring payment to support future projects within the local community.

Environmental benefit

Harborough will see over 2.1km of new native hedgerows planted to facilitate habitats for local wildlife. The grassland among the arrays will be seeded with an enhanced mix suitable for sheep grazing, which is mutually beneficial for the fund and the farmer. A biodiversity field will be established with a wildflower meadow mix and a pond will be created in this field to provide habitats for a range of local wildlife. Across the site there will be several bat, bird and dormouse boxes as well as a hibernacula, a refuge for reptiles, amphibians and invertebrates. Outside of the leased area the fund has committed to the creation of 20 Skylark plots, which will be created in the adjacent arable fields.

9.5 Sustainable Infrastructure

For Sustainable Infrastructure, thorough due diligence prior to the investment helps to formulate a granular picture of the business, informing a coherent engagement strategy which is agreed by the Investment Committee.

Our investment documentation includes a sustainability commitment to which the investee management team must sign up to. All portfolio companies will implement a business-wide Sustainability Policy and Diversity & Inclusion Policy.

[12] Based on 27GWh of generation based on the site's technical studies and an annual average household consumption of 3509 kWh per annum (BEIS December 2022)
[13] Based on 27GWh of generation based on the site's technical studies and Carbon intensity 424g CO2 per kWh

During the initial period after investment, we work closely with the management team using an agreed action plan (100-day plan) to support the implementation of any necessary changes to operating and reporting processes, such as board representation, new hires, bolstering governance policies, and requirements for specialist advisors.

We always take a board seat or recommend an appropriate individual and usually also take a board observer role as well. A base level of engagement with the business will always be maintained via regular board meetings (usually monthly) and a close working relationship with the management team, but engagement levels are adapted to suit the requirements of the business, for example during the early stages of the investment or in the event the business is undergoing a change in strategy, the investment team take a proactive approach to allocating resources as required to support the business. This usually means frequent weekly to fortnightly engagement to ensure the portfolio have sufficient support from the Sustainable Infrastructure team.

Case study: UK government engagement at Wildanet

Objective: In 2023, Wildanet bid for government contracts to build gigabit-capable broadband to hard-to-reach areas in Cornwall, under Building Digital UK (BDUK)'s Project Gigabit programme. Project Gigabit is a £5bn subsidy scheme designed to support broadband operators to extend the network to the last 20% of homes in the UK.

Wildanet engaged regularly with BDUK in the run-up to the bidding process to help BDUK to shape the contract size and geographies based on their commercial build plans. The intention was to make a case for BDUK to issue contracts that were complimentary to the scale and geography of their existing network footprint.

Methods: We maintained regular engagement with BDUK throughout the process through one-to-one meetings and through the participation in industry events. Where necessary and appropriate, we provided letters of support to make clear our funding commitments to Wildanet and are aiding Wildanet in accessing external debt to finance the implementation of this contract.

Outcome: Wildanet won the final Project Gigabit contract in Cornwall to connect ~18k premises with £41.2 million of Government subsidies. This win was of huge strategic importance to Wildanet since it was the final contract to be awarded in Cornwall, thus cementing their position as the only alt-net operating in the county and the only competitor to BT Openreach, giving further weight to their defensive position within the county.

Case study: response to UK government consultation on private investment in nature recovery

In 2023, Gresham House's Sustainable Infrastructure team, in collaboration with Gresham House's Forestry and Sustainable Investment teams, responded to the UK government's public enquiry into private investment in nature recovery. In our response, we argued that:

- The development of mandatory regimes that incentivise the avoidance of further damage to nature, reduce unavoidable impacts on nature and restore nature are required to encourage greater private capital investment into nature recovery.
- Mandatory regulations are essential to stimulate private capital investment in nature recovery, requiring government backing, legal structures, and market development.
- Creating high-integrity ecosystem service markets necessitates regulatory mandates, standardised measurement methods, diversified opportunities, enhanced credit quality, education, and regulatory stability.
- The UK's financial markets can attract international capital by leading in nature reporting, offering distinctive investment prospects, providing policy clarity, and advocating mandatory rules for nature-based markets.

Gresham House
Specialist investment

Following the consultation, as part of the government's Green Finance Strategy, it published the Nature Markets Framework. This sets out the government's approach for scaling up private investment into nature's recovery and sustainable farming. In the Framework, the government sets a goal for at least £500million of private investment to flow into nature recovery every year by 2027, rising to more than £1billion by 2030.

9.6 Real Estate (UK Housing)

In the UK, the majority of our engagement activity is with shared owners, the regulator of Social Housing and service providers:

- Shared owners: We regularly engage with shared owners. We use a mixture of customer surveys and feedback at the point of service, i.e., marketing, moving in, carrying out improvements and staircasing, to inform required service improvements and areas of concern.
- Regulator: In 2023, Ben Fry (MD, Housing) met with the No 10 policy team and Pete Redman (Exec Director, ReSI Homes) met with the Labour party policy team. Both meetings were opportunities to share the investors and for-profit perspective on the suitability of the government's current Affordable Housing policies and to feed into the development of new policies for the future. Focus was given to the role shared ownership can play in addressing housing affordability and accelerating new supply, and the benefits of expanding the tenure's role.
- Service providers: We also engage frequently with service providers, such as builders, on matters of health and safety and the use of environmentally friendly building practices. We have also worked with The Good Economy to understand the quality of our relationships with both residents and key stakeholders, such as property managers and developers.

The UK Housing team reports against the requirements of the Equity Impact Project (EIP), led by The Good Economy and Big Society Capital. The EIP is a set of globally aligned standards for best practice in management, measurement and reporting of impact for equity investments in social and affordable housing.

Case study: ongoing engagement with Homes England on grant funding in the shared ownership sector

In 2023 the Housing Investment team held monthly meetings with representatives from Homes England to discuss the elevated levels of grant funding that are required to continue attracting private capital investment into the shared ownership housing sector.

With gilt yields having increased from close 0% in 2021 to more than 4% today, with no additional grant funding, the spread of the return on shared ownership investment compared to gilts has narrowed substantially. Gresham House produced a paper explaining that without changes to the shared ownership model that would make it less affordable, the only way to increase the return to a level that will continue to attract private capital into the sector is by increasing the level of grant funding per home on shared ownership schemes.

A further paper was prepared for the Greater London Authority (GLA) on the requirements on London, where elevated grant levels are required to encourage investment into shared ownership, as units are higher value and rents on some properties need to be less than the standard level on shared ownership (2.75%) to remain affordable to residents.

Gresham House's engagement was taken on board by both Homes England and the GLA, resulting in higher grant rates being confirmed by bodies. This should allow continued investment of private capital into shared ownership, both through Gresham House and through other for-profit registered providers.

Case study: interview with a shared owner from one of our shared ownership properties[14]

Emily bought her ReSI plc shared ownership property in Croydon two years ago. After looking for a place to live in by herself, she realised she would not have been able to own her own home without the option of shared ownership. She would have continued to rent in the private sector or moved back with her parents. After moving into the property Emily told us that her life satisfaction has definitely improved, and she has enjoyed discovering how she likes to run her own home and the benefits of not living with others.

Additionally, Emily takes security from the rent cap applied by ReSI during the year and being able to plan her finances accordingly. Whilst she has not been able to save as much money as she hoped, she feels it is more cost-effective than renting privately.

Case study: focus on quality customer service through ReSI Property Management Living (RPML)

ReSI's Shared Ownership Customer and Environmental Charters are designed to improve practices across the shared ownership sector, while providing benefits to shared owners and investors. Its Customer charter contains a number of stipulations for its partners to ensure the quality of its customer service, including allowing the property to be sold both in or outside the shared ownership scheme, the "SO Plus" staircasing model that allows residents to increase their level of ownership in their home, and the repurchasing of sold equity if a resident faces financial hardship.

ReSI has increased the numbers of properties managed by ReSI Property Management Living (RPML), rather than external property managers, enabling it to provide more bespoke housing management services, and that its connection to ReSI results in a smoother customer experience for residents when they report problems.

As part of the 2023 Good Economy Impact Report, 77% of ReSI plc shared ownership residents surveyed were neutral or satisfied with the property management services provided by RPML.

We continue to work hard to improve residents' experience going forward. This includes through an annual review of the performance of all property managers to ensure they are performing in line with service level agreements.

[14] Undertaken by The Good Economy. Not her real name.

10. Voting

Voting is an important part of our investment strategy for our public equity investments. The investment teams devote the necessary research, management time and resources to ensuring we make good voting decisions.

Voting decisions are based on our view of the course of action which will be in the best interests of the Fund's investors. Votes are informed by various sources including: our procedures, research, engagement with the company, discussions with other stakeholders and advisers, our internal discussions and consultations, and other relevant information.

We apply our Engagement and Voting Policy to our voting approach, but individual fund managers are responsible for individual investments. On occasion, the fund manager may deem it in the best interest of clients to vote outside policy requirements, in which case this will be discussed within the investment team to understand and assess justification for this decision.

We do not manage segregated or pooled accounts, therefore there is no voting policy in relation to such accounts.

10.1 Requirements

We do not have a set policy defining how voting decisions should be made on specific items for the UK Public Equity team, but we have defined the following requirements:

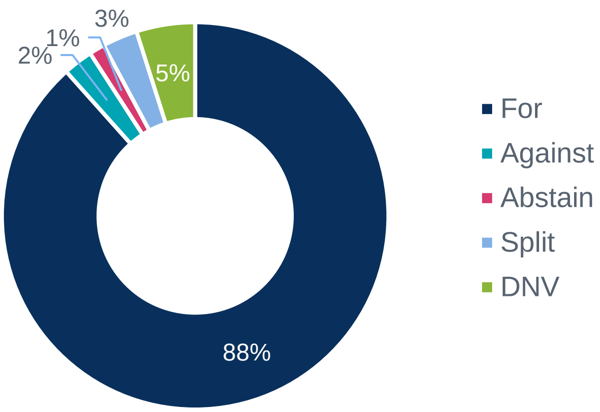
1. Authority to allot shares – it is our policy to vote against anything over 33%.
2. Disapplication of pre-emption rights – it is our policy to vote against anything over 20%.
3. Authorise company to purchase own shares – it is our policy to vote against anything over 10%.
4. Political donations – it is our policy to vote against all political donations.

All resolutions are reviewed and voted on, unless there is an administrative impediment (e.g. power of attorney requirements, ineligibility due to participation in share placement).

10.2 Voting statistics

In 2023, we voted on 95% of all resolutions, voting for management recommendations in 88% of resolutions, 2% against, 1% abstentions, and 3% split votes.

Public Equity - UK voting in 2023



We publish our voting records on our website which can be found here. Our Engagement and Voting Policy is also available on our website.

10.3 Voting against management

If we plan to vote against management, we aim to engage with the company in advance, explain why we plan to vote against and look for ways to avoid that if possible. If a satisfactory outcome is not reached through this active dialogue with the company, we will typically tell the company in advance of our intention to abstain or vote against management and clarify the reasons grounding such intention.

Votes against by the UK team remained low in 2023. Wherever possible, our team engages ahead of a vote if we disagree with draft resolutions being proposed. Sometimes this results in resolutions being pulled from the ballot to avoid them being publicly voted against. In an ideal world, our team aims to resolve issues in private to avoid having to vote against.

Of the votes against management in 2023, key drivers were linked to:

- Resolutions not meeting our voting policy requirements, such as non-pre-emptive share issuance thresholds.
- The proposal of transactions that we did not support, as we did not feel they were in the best interest of our clients and company value creation.

Case study: voting against AGM resolutions

Engagement focus: Board composition, management incentivisation

How we engaged: numerous meetings with Non-Executive Directors and the Nomination Committee

How we voted: against the re-appointment of Chair and Senior Independent Director, and the remuneration policy. As outlined in last year's report we had a number of concerns regarding one investee company relating primarily to Non-Executive Board composition, and remuneration policy. We believed that these concerns were contributing to the company trading at a discount to intrinsic value, despite strong financial and operational performance.

Following the escalation steps last year and dissatisfaction with the progress being made to reach an agreeable solution, we voted against the re-election of the Chair and SID, and against the remuneration policy.

Outcome: A significant minority of shareholders (including GHAM) voted against these resolutions but ultimately they were passed with a majority vote. However, the level of opposition prompted the Board to re-engage with dissenting shareholders, which remains an ongoing process.

10.4 Proxy voting providers

The UK Public Equity team does not use any proxy voting advisory services, but does use proxy voting services to deliver voting decisions to the companies we invest in.

Votes are delivered by our middle office to a platform who then execute the vote in line with our instructions. In some cases, the vote is executed by the depositary, again in line with the instructions delivered by the middle office.

10.5 Stock lending

We do not engage in stock lending, ensuring we maintain control over how votes are cast.