



OWNERSHIP CAPITAL

# 2022 STEWARDSHIP REPORT



# Contents

Principle 1: Purpose, Strategy & Culture	5
Principle 2: Governance, Resources & Initiative	10
Principle 3: Conflicts of Interest	17
Principle 4: Promoting Well-Functioning Markets	21
Principle 5: Review & Assurance	24
Principle 6: Client and Beneficiary Needs	26
Principle 7: Stewardship, Investment & ESG Integration	28
Principle 8: Monitoring Managers & Service Providers	33
Principle 9: Engagement	35
Principle 10: Collaboration	45
Principle 11: Escalation	48
Principle 12: Exercising Rights & Responsibilities	51

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# OUR STEWARDSHIP COMMITMENT

Ownership Capital is a responsible equity investment manager. We manage a single investment strategy – a long-term, engaged-ownership investment approach that fully integrates ESG assessment with financial analysis and uses stewardship to engage with the management of our portfolio companies to help them develop sustainable value creation. We call our approach *ownership investing*.

The strategy began in 2009 as an in-house portfolio within the Dutch pension fund PGGM, and in 2013 the investment team spun out to provide investment services to other pension funds, foundations, and endowments around the world. The firm's mission is to provide sustainable returns that allow its long-term clients to comfortably meet their long-term goals while ensuring a prosperous and sustainable global society.

Our belief is that long-term financial returns are best achieved by businesses who operate in a responsible and socially beneficial manner. In addition to investing in companies that are already responsible, through effective stewardship our portfolio managers catalyse many more companies to become more sustainable. This approach leads to a broader investable universe and better outcomes for investors.

Today, Ownership Capital invests more than GBP 5 billion on behalf of pension funds, foundations, and endowments. Stewardship has been at the heart of our investment philosophy and process since inception and we are pleased that our strategy has enabled us to meet the financial risk and return objectives of our clients while also supporting our portfolio companies in delivering sustainability outcomes.

Our mission is to generate long-term absolute returns for our clients at low inherent financial and extra-financial risk, while being a leader within the asset management industry on the implementation of responsible investment principles.

As a boutique asset manager, we must be thoughtful about the best use of our time and resources. Whilst we have always supported and closely followed the UK Stewardship Code, we are delighted to formally sign up to the Code for the first time in 2023. We support the Principles of the Code by applying them to all our investments. This report has been reviewed and approved by our Senior Management Team ("SMT"), the firm's governing body...

We hope that along with the other signatories, Ownership Capital will advance the asset management industry to a system fit for purpose in a sustainable future world.

Sincerely,



**Omar M. Cordes**

## 2022 STEWARDSHIP SUMMARY



1. One-to-one in-person or virtual meetings held in 2022 on average across all portfolio companies.

# PRINCIPLE 1: PURPOSE, STRATEGY & CULTURE

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

## Our Mission and Investment Beliefs

The mission of our firm is to generate long-term absolute returns for our clients at low inherent financial and extra-financial risk, while encouraging and leading the asset management industry towards a more sustainable economy and promoting stronger stewardship practices.

Our *ownership investing* philosophy combines a fundamental, long-term-oriented research process with a comprehensive sustainability risk/opportunity framework and active engagement. This enables us to protect and grow our clients' assets while helping make our global society more sustainable over the long term.



Our Investment Approach involves:

- 1. A multi-decade time horizon.**  
We look further out than the market to find companies uniquely positioned for truly long-term business success.
- 2. Full integration of ESG risks and opportunities.**  
Since inception, we have integrated ESG factors into every stage of our investment process.
- 3. Active engagement to catalyse company improvement.**  
We partner with all our portfolio companies to help them improve the ESG areas most relevant to their business.

We believe that ESG analysis is maximally beneficial in tandem with engagement, and therefore we work with 100% of our portfolio companies to improve their long-term business positions. While ESG data can be valuable, it must be understood in its proper strategic context, which is only possible through a deep and ongoing relationship with company decision-makers.

Our bottom-up due diligence process involves attending trade conferences, speaking to former employees, visiting companies and meeting with executive-level team members. As active engagement is a key element of the Ownership Capital ("OC") investment process, before investing,

we ensure that regular engagement with senior management will be possible.

For each of our portfolio companies we work to develop a sustainability plan that outlines ESG issues and areas for improvement. After discussing this roadmap with company management, the team continues to use our proprietary ESG analysis model, OC Govern™, to subsequently monitor progress / improvements.

## Our Business Model

Our investment strategy was launched in 2009 as an in-house portfolio at the Dutch pension fund PGGM. In 2012, the team spun out from PGGM and incorporated Ownership Capital B.V. as an independent employee-owned asset management firm with the aim to offer the strategy to other pension funds, endowments, and foundations. Ownership Capital launched its business operations in January 2013 to manage a long-horizon, public equity portfolio. In May 2014, Ownership Capital began managing external assets for pension fund clients.

Today, OC remains a single strategy firm based in Amsterdam, away from major financial centres. We believe the best way to manage our business for success is to rigorously focus, as long-horizon investors, on conducting investment research, managing portfolios, and being sustainability-oriented active owners. As a result, we have chosen to build a focused business through managing a single investment strategy and only working with a limited number of aligned and long-term client partners.

2009

Strategy launched

2012

Ownership Capital  
Incorporation

£5bn

Assets under  
Management

25

Investment team of 11  
professionals and 25  
employees in total



## Our Culture

People are at the heart of Ownership Capital's firm and investment strategy.

Our collaborative and team-based culture is one of our key strengths as a firm. Building the best team starts with finding people who align with our key values while each having a unique background, experience, and outlook which add value to our investment process.

### OUR KEY VALUES

1. **Excellence:** strive for the best, pay attention to detail
2. **Think long term:** act as Owners, imagine future scenarios
3. **One United Team:** together we are stronger
4. **Open and Direct:** respectful challenge
5. **Have an Impact:** work with Passion and Do What's Right

In our recruitment process, we search for people who share our commitment to long-termism and stewardship, but also whose worldview is shaped by different life experiences. We have nine nationalities represented and 14 languages spoken in our 25-person team. In addition to advanced degrees in Finance and Economics, members of our Investment Team have backgrounds in Civil and Commercial Engineering, Nanoscience and Materials Science, which helps us build multi-faceted views on companies and industries and evaluate company capabilities related to competing technologies, climate transition and human capital, to name just three factors.

We believe in the importance of not only building diverse teams, but ensuring we reap the maximum benefits of our diversity by encouraging all employees to share their opinions and contribute to discussion. Consistent with our Dutch roots, we engage in open and direct communication across the firm, and respectfully challenge each other regardless of level or function

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# ACTIVITY AND OUTCOMES

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We strive to exemplify best-practice standards of social and environmental responsibility throughout our business. In 2022 we remained committed to managing our business impact on employees, our local community, and the environment. The details of our activity and outcomes as an investor are included in Principles 9-12 below.

## Climate

In 2022, we continued our commitment to measuring and offsetting our Scope 1, 2 and Scope 3 emissions from business travel. We offset our entire estimated 2021 Scope 1, 2 and Scope 3 emissions from business travel during calendar year 2022 through the following organizations and projects.

### Work with Nature

A Dutch foundation focused on preserving rainforests in Costa Rica, positively impacting biodiversity, and supporting the employment of the local community.



### Gold Standard for the Global Goals

Gold Standard offsets adhere to requirements to design projects for maximum positive impact in climate and development. In 2022, we purchased offsets for our 2021 emissions through the following programmes:

#### Cleaner, Safer Water:

In Cambodia, untreated water and poor sanitation cause an estimated ten million cases of diarrhea and 10,000 deaths each year. By no longer needing to boil water, indoor air pollution from wood burning is reduced, household fuel costs are slashed, time is saved for women and children, and forests are protected.



#### Kenya Biogas Programme:

Domestic biodigesters provide a way for households with livestock to reduce their dependence on polluting firewood and expensive fossil fuels. Cooking on biogas is fast and smokeless, improving family health, especially among women and children.

While our primary focus is on emissions reductions, we remain committed to measuring and offsetting our emissions annually. In 2023, we plan to improve our measurement methodology by extending the range of our Scope 3 measurement.





## Employee Wellbeing & Culture

We maintained a hybrid working model following the global pandemic, allowing employees to benefit from greater flexibility. This is a valued benefit for existing employees and has enabled us to expand our recruitment efforts. While employees appreciate the benefits of our hybrid model, we also recognise it requires adaptation to ensure that we maintain our close communications and team-based approach. As a result, we increased the number of organised team activities we undertake as a firm. In 2022 we held team lunches, team dinners and social activities such as jeu de boules and a darts competition. Through our employee review process, we continue to seek feedback from all staff on ways to improve the employee experience at Ownership Capital.

All employees took advantage of our €2,000 p.a. health & wellness stipend in 2022, which is designed to support physical and mental wellbeing. A team of Ownership Capital employees participated in the TCS Amsterdam Half Marathon in support of KWF (the Dutch Cancer Foundation). A member of the OC

team completed the NYC Marathon with sponsorship from Ownership Capital in support of the Cancer Fund for Children. We also completed a fitness challenge involving 19 employees to promote and celebrate the active lifestyles of our employees.

## Philanthropic Giving

In 2022, employees utilised our employee match program, which matches individual donations up to €1,000 p.a., creating an efficient structure to leverage donations to registered organisations and charities. In 2022, OC also committed to match an additional €1,000 for charities linked to the Ukraine. OC also allows all employees up to 8 hours' to be allocated to help or prepare for personal volunteering projects. For example, members of the OC team volunteered at a Winterfair hosted by one of the largest healthcare organisations in the Netherlands for the elderly. The event is held for seniors who often experience loneliness during the holidays. In 2023, we will improve our approach to Philanthropic Giving and Community Service through the formation of an employee-led Working Group as outlined in Principle 2.

# PRINCIPLE 2: GOVERNANCE, RESOURCES & INITIATIVE

## Signatories’ governance, resources, and incentives support stewardship

Ownership Capital is a privately-owned company with independent, employee management based in Amsterdam, the Netherlands. We are 100% owned by key employees and manage a single investment strategy.

### Governance

Our governance structure and internal policies and processes provide strong alignment of interests with our investors to ensure effective oversight and delivery of stewardship activities.

Ownership Capital is managed by a Senior Management Team (the “SMT”), consisting of two statutory directors and three managers. The Charter of the SMT governs the way decisions are taken within Ownership Capital. The SMT is responsible for the daily governance of the firm and is authorised to take all decisions on behalf of Ownership Capital, except those that are exclusively the domain of the statutory directors.

The other key parts of the governance structure of Ownership Capital include:

Committees	
Senior Management Team (“SMT”)	Oversees strategic and day-to-day management of the company.
Investment Committee (“IC”)	Responsible for approving buy/sell decisions and overall portfolio construction as well as oversight of the ESG integration, engagement, and voting activities of the Investment Team.
IT Risk & Information Security Committee	Responsible for oversight of the Information Security Programme.
Trading Oversight Committee	Provides oversight of trading related matters.
Remuneration Committee	The Statutory Board fulfils the function of the Remuneration Committee.
Risk Management Committee	Provides independent risk management on portfolio and market-level risks as well as operational risks.
Employee Working Groups	
Climate Working Group	The primary purpose of the group is the measurement of OC’s corporate emissions and leading emission reduction and offset initiatives.

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DE&I Working Group

The primary purpose of the group is to facilitate training and education on diversity, equity and inclusion topics and identify opportunities for employees to engage in DE&I-related industry events and groups.

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In response to interest from employees, we will launch a new Working Group in 2023 focused on Philanthropic Giving to support employees in finding volunteer and philanthropic giving opportunities.

## Advisors & Advisory Board

### Advisors

Ownership Capital is advised by Chairman David Pitt-Watson and Chairman Emeritus Sir George Buckley. Both provide valuable insight into our stewardship approach with experience from academic, investment and corporate viewpoints.



**Sir David Pitt-Watson**  
Chairman

David Pitt-Watson, recognised globally as a leading academic and practitioner in the field of responsible investment, joined Ownership Capital in Q1 2019 as our chairperson. He is a Visiting Fellow at Cambridge Judge Business School and has been active in various initiatives to promote responsible investment including co-chairing the United Nations Environment Programme Finance Initiative and leading the Royal Society of Arts Tomorrow's Investor Project.

David brings to Ownership Capital a wealth of experience in the investment management industry, having served as Chairman of Hermes Focus Asset Management.



**Sir George Buckley**  
Chairman Emeritus

Sir George Buckley has provided his valuable counsel since our founding in 2013.

He previously served as the Chief Executive Officer, President and Chairman of 3M and is currently the Chairman of Smiths Group and Stanley Black & Decker and serves on the board of Hitachi.

## Advisory Board

In addition, we have an external Advisory Board which provides strategic advice to our senior management team on ESG, stewardship and other wider firm topics.



**Angelien Kemna**

Chair of Advisory Board

Dr. Angelien Kemna is currently a director or member of the Supervisory Board at AXA Investment Managers, NIBC (The Netherlands), Friesland Campina N.V. (The Netherlands), Naspers (South Africa) and Prosus (The Netherlands). Angelien was formerly the Chief Finance & Risk Officer of APG Group (the Netherlands) and Chief Investment Officer of APG Group N.V. Prior to joining APG, Angelien served as Global Chief Investment Officer and Chief Executive Officer for the European Region of ING Investment Management B.V. Angelien holds a Ph.D. in Finance from Erasmus University Rotterdam.



**Victoria Sant**

Victoria Sant is Managing Director at the Investor Forum UK, a member of the Investment Committee at National Trust endowment, including being Chair of the Stewardship and Engagement Working Group, and Chair of the Investment Committee for the Global Crop Diversity Trust. Previously, Victoria managed the external equity manager portfolio for the Wellcome Trust.



**Elisabeth Airey**

Liz Airey is Chair of the Rolls-Royce UK Pension Fund, a non-executive director of two UK listed investment trusts, one of which she Chairs, and a non-executive director of a corporate advisory boutique. She is also a member of the ICAEW and RHS Investment Committees. Previously she was Chair of Jupiter Fund Management.



**Jack Ehnes**

Jack Ehnes, former Chief Executive Officer of CalSTRS, is currently Chairman of the FTSE Green Industries Advisory Committee and vice-chair of the FTSE Sustainable Investment Advisory Committee in London. He is also the Chair of the Supervisory Board of the Global Reporting Initiative (GRI) in Amsterdam.

## Resources

### Investment Team

The Investment Team is responsible for company-specific stewardship activities with all our investee companies, including monitoring, engagement, and voting.

We believe the Investment Team is best placed to engage directly with companies on a continuous basis because they have an in-depth knowledge of the business and industry, as well as an ongoing relationship with the leadership team of each portfolio company. Members of the Investment Team are also responsible for decisions on voting. We invest in 20-30 companies with an investment team of eleven people to provide members of the team with enough time to conduct in-depth ESG analysis and carry out proactive engagement. Each member of the team is responsible for undertaking stewardship activities for their portfolio companies, typically between 2-5 companies per person. While we have individual accountability for company-specific engagement and voting, progress and learnings are discussed regularly in team meetings to ensure sharing of best practices.

Our Investment Committee (the "IC") is responsible for the oversight of all investment activity, including stewardship activity across the team. All members of the IC have specialised skillsets in both ESG integration and engagement.

We ensure that all Investment Team members are appropriately trained in ESG analysis, monitoring, engagement, and voting.

The ability to analyse and understand complex ESG issues is inherently built into our recruitment process for the Investment Team.

Some of the key qualities we look for when hiring are:

- deep specialist knowledge in an industry sector and its companies.
- the ability to think both long-term and creatively about where a sector and company is going. This is very different from a short-term mindset, where linear thinking and extrapolation are more prevalent.
- understanding about how multiple ESG factors relate to a company's long-term position and cash-flow generation abilities.
- ability to engage with a management team.
- a questioning mindset, whereby the person is always ready to test assumptions and come to different conclusions, when the evidence merits.



These qualities and skills are continually reinforced through on-the-job practice, as well as an emphasis on training and mentorship led by more experienced senior team leaders to help accelerate the growth of newer team members.

## Client Group

The Client Group is primarily responsible for communications and engagement with our clients, the asset management industry, and our regulators, including our participation in industry groups and providing feedback on regulatory proposals. Members of the Client Group involved in industry and regulatory engagement hold the CFA Institute's Certificate in ESG Investing and have completed additional training on ESG topics, e.g., a Postgraduate Degree in Sustainable Business.

## All Employees

We ensure that all members of our firm are fully informed on developments in responsible investment outside of Ownership Capital through participation in industry groups and externally recognised committees. We also closely monitor developments in academic research on responsible investment as part of our continuous reassessment of the factors used in our proprietary tools.

## Incentives

**We manage a single investment strategy and therefore the success of all employees at the firm is directly linked to the long-term performance of our investment approach.**

At Ownership Capital, employee compensation has three components: (1) an industry-competitive base salary, (2) a variable performance-based bonus, and (3) a long-term incentive plan for key personnel. On the investment side, the bonus element of compensation is related to the long-term



performance of portfolio companies, respective watchlists, engagement results, and added value to the team and organisation.

Investment Team members are incentivised to undertake effective stewardship primarily through the variable bonus they will receive based on the performance of portfolio companies and the firm. Part of each Investment Team member's bonus is dependent on their ESG analysis and engagement outcomes. Key performance indicators for engagement work are agreed for each team member and assessed by the Lead Portfolio Manager.

Beyond offering a competitive compensation package, we believe that the best way to attract and retain the very best talent is to provide a sense of purpose to their work. We consider a shared sense of alignment to our firm's purpose to be as much a part of compensation and alignment as any of the monetary compensation we pay.

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# ACTIVITY AND OUTCOMES

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## Governance

In 2022, our Senior Management Team continued their regular monthly meeting schedule. Amongst the key management decisions in 2022, the Senior Management Team decided to apply to the UK Stewardship Code in 2023 to validate that our investment policies, practices, and procedures meet the rigorous standards of the Code. The gender balance of our Senior Management Team does not meet our expectations and we are committed to strengthening the Senior Management Team through improving the diversity of its membership in 2023.

We held eight meetings with our Chairman and Chairman Emeritus. Both visited our offices in Amsterdam and spoke with the full OC team about the value of engaged, long-

term shareholders, against the backdrop of an increasingly short-term investment industry.

We also held two meetings with our Advisory Board to discuss strategic business topics as well as industry trends and best practices in stewardship. As a result of these meetings, we implemented several enhancements to our stewardship reporting, including providing additional commentary on our engagement activities, expanding available ESG-related metrics on our investment portfolio, and increasing transparency on our voting activity. To improve the interaction with our Advisory Board, we have increased the number of planned meetings for 2023 from two to three meetings annually.

## Senior Management Team



**Omar Cordes**  
Co-founder  
& CEO



**Christophe Orly**  
Head of  
Client Group



**Otto van Buul**  
Lead  
PM



**Alex van der Velden**  
Co-founder  
& CIO



**Quirijn van de Weg**  
COO

## Resources & Incentives

During the year we strengthened the Investment Team with the addition of a new Portfolio Manager and the promotion of two Senior Associates to Portfolio Managers, in recognition of their significant contribution to the team. We also created new Sector Lead roles within the Investment Team to provide additional support to our Investment Committee and strengthen our Investment Team leadership. Both Sector Leads have extensive industry experience in equity investment and engaged ownership. Outside of the Investment Team, we added a Manager to the Client Group to bolster our non-investment functions and allow us to better serve our institutional investors in the coming years.

While our investment principles and philosophy remain unchanged, we are committed to continuously improving our tools and skills as investors and engaged owners. In 2022, we undertook several training sessions including:

- Behavioural Biases Training with Professor Alex Edmans, London Business School
- Emotion and Deception with Dr. Mark Frank
- Engagement with Boards and Senior Leadership with Sir George Buckley

These training sessions improve the investment skills of our team and the effectiveness of our stewardship activities. We also participated in a firm-wide training on Cyber Security. In addition, Ownership Capital supported several members of the Investment Team and Client Group in obtaining the CFA Institute Certificate in ESG Investing in 2022.

The Investment Team and Client Group also both held Away Days focused on team culture, tools, and processes. The Investment

Team Away Days focused on topics such as Net Zero, improving the tracking of our engagement, and alternative valuation approaches. The sessions resulted in several changes including improving engagement tracking practices through our collaboration platform. Investment Team members are now able to tag engagement notes through our cloud-based collaboration tool under more specific engagement topics. There are now 29 different topic areas of engagement, which all connect directly to our OC Govern™ Model. This enables us to see the link more clearly between engagement milestones and updates made to the ESG assessment of the company over time. We also updated our engagement escalation approach, as outlined in Principle 11.

Going forward, we will continue to invest in opportunities for education and training of our team. In 2022, we launched a new internal initiative focused on deepening our understanding and awareness of sustainability topics. This features employee pairs researching and presenting on key topics to their peers, beginning with Biodiversity, Health, Climate and Diversity.



**Rhian Jones**  
Head of  
Sustainability

In recognition of the increasing amount of regulatory and client-driven reporting as well as a desire to participate more actively in industry initiatives, we decided to dedicate a full-time resource with the appointment of a Head of Sustainability in 2023. While our PMs will continue to undertake the sustainability analysis and engagements with our portfolio companies, the Head of Sustainability will represent Ownership Capital in industry groups and coordinate our sustainability objectives and reporting as a firm.



# PRINCIPLE 3: CONFLICTS OF INTEREST

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Preventing and controlling Conflicts of Interest is an essential element in ensuring that the interests of clients, the financial markets and the integrity and reputation of Ownership Capital is protected. Ownership Capital has adopted a Conflicts of Interest Policy focusing on Ownership Capital, its directors and employees, and any person directly or indirectly affiliated with Ownership Capital through a control structure.

## Conflict of Interest Policy

Ownership Capital has identified several areas in which conflicts of interest can occur. These are primarily:

### Conflicts of interest between employees of Ownership Capital and clients.

Examples of this type of conflict are situations where Ownership Capital or an employee of Ownership Capital:

- could achieve financial gain or prevent a financial loss at a client's expense;
- has an incentive (financial or otherwise) to allow the interests of Ownership Capital or an employee to prevail over the interests of clients;
- has an interest in the result of a service or activity performed for the client or a transaction performed on behalf of the client which deviates from the client's interest.

### Conflicts of interest among clients or funds and ancillary services Ownership Capital provides.

Examples of this type of conflict are situations where Ownership Capital or an employee of Ownership Capital:

- has an incentive to let the interests of (the investors in) the fund managed prevail over the interests of (the investors in) a mandate, for example when it comes to the allocation of IPOs;
- has a financial or other incentive to allow the interest of a client or group of clients to prevail over the interests of other clients;
- must take a decision that could have a different effect on one group of clients than on another, such as a correction to a net asset value.
- receives MNPI from a listed company which cannot be (automatically) used by Ownership Capital for itself or for other clients.

Annually, we make an analysis of potential conflicts of interest. The conflicts of interest are assessed in light of the control measures in place to identify if there are any unmanaged areas of conflict of interest.

To address conflicts of interest, we have adopted a number of policies and procedures to control the different potential areas of risk, as outlined below:

Conflict of Interest	Policy Name	Policy Summary
General Conflicts: Material Non-Public Information	Market Abuse Policy	Contains provisions and procedures regarding the use of expert networks, engagement meetings, and market sounding to prevent the dissemination of inside or confidential information.
General Conflicts: Material Non-Public Information	Private Account Dealing Policy	Guidelines for private investment transactions of Employees. This policy aims to prevent employees from making use of material non-public information.
General Conflicts: Handling Information	Acceptable Use Policy	Outlines measures to assist in protecting against illegal or damaging actions to information on its systems by individuals, committed either knowingly or unknowingly.
Conflict of Interest between OC and Clients: Inducements,	Code of Conduct	The Ownership Capital Code of Conduct governs non-monetary benefits provided or received by Ownership Capital. Taking on ancillary functions and/or accepting gifts, invitations, and other favors in whatever form, can cause an employee to act in their own private interests rather than on behalf of a client. Ownership Capital does not tolerate this. Rules and procedures on taking on and reporting of ancillary functions and regarding accepting and offering gifts and invitations have been set.
Conflict of Interest between OC and Clients: Remuneration	Remuneration Policy	The interests of the clients may never be harmed by Ownership Capital's remuneration policy. The remuneration policy discourages undue risk taking (including sustainability risks).

<p>Conflict of Interest between OC and Clients: Fair Value</p>	<p>Valuation Policy</p>	<p>Ownership Capital ensures that portfolios reflect current market valuations. Where current market valuations are not available, this policy provides guidance on providing a "fair valuation".</p>
<p>Conflict of Interest between OC and Clients: Equal Treatment of Clients</p>	<p>Best Execution Policy</p>	<p>Ownership Capital applies the principle that clients are given equal treatment in equivalent situations. Other than on objective grounds, Ownership Capital does not differentiate in its product information for clients.</p>
<p>Conflict of Interest between OC and Clients: Equal Treatment of Clients</p>	<p>Trade Allocation Policy</p>	<p>To safeguard that clients are treated equally where selection of executing brokers, fair allocation of aggregated order executions and ensuring best execution are concerned, rules have been established.</p>
<p>Conflict of Interest between Employees and Clients:</p>	<p>Disclosure of Employee Positions</p>	<p>Any positions in funds of which the assets are managed by Ownership Capital (according to its single portfolio model) should be disclosed to the investment committee, to take into consideration when assessing any proposals for investment decisions that might seem to be short-term or otherwise may give the appearance of a conflict of interests between employees and clients/investors</p>

## Ongoing Monitoring

The Compliance Officer monitors the execution of and compliance with this Policy. The Policy is reviewed on an annual basis or in the event of any meaningful changes in the organisation that might be expected to significantly impact this policy.

If the measures taken to prevent or deal with Conflicts of Interests do not meet the requirements in terms of guaranteeing with reasonable certainty that the interests of clients and/or fund participants will not be harmed, Ownership Capital will assess

whether or not it is necessary to modify or cease the provision of the related services to the client. Ownership Capital involves the Compliance Officer in this assessment.

If necessary, Ownership Capital will inform the client about the conflict of interests and/or request the client to agree to the measures that have been taken. This disclosure to the client must be made in a written form, including sufficient details to enable the client to take an informed decision.

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## ACTIVITY AND OUTCOMES

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Ownership Capital is an investment company with a non-complex organisation. We run a single investment strategy and only provide asset management services to our investors. Partly because of these limited services, the risk that certain types of conflicts of interest will or could arise is limited.

We reviewed our Conflicts of Interest Policy and related policies and procedures in 2022 to comply with AIFMD requirements in connection with our AIFM license application.

Annually, Ownership Capital makes an analysis of potential conflicts of interest. Any conflicts of interest that emerge from this analysis are assessed considering the control measures. If this analysis shows that a potential conflict of interest is not being managed effectively, additional measures will be taken, and the procedure will be adapted accordingly. In 2022, we did not identify any material conflicts of interest related to stewardship which Ownership Capital was not managing effectively.

# PRINCIPLE 4: PROMOTING WELL-FUNCTIONING MARKETS

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

We align with the ambition of the PRI's Active Ownership 2.0 framework to deliver a level of stewardship "needed to deliver against beneficiaries' interests and improve the sustainability and resilience of the financial system." This means not only engaging to influence company-specific risks and opportunities, but also seeking to influence the social, environmental, and economic systems which underpin the long-term success of all our investments. We identify market-wide and system-level risks through multiple inputs:

- i) Identifying themes that emerge across the portfolio as the result of our company specific ESG and risk analysis for each company.
- ii) Reviewing academic and practitioner frameworks such as the World Economic Forum's Global Risks Report and the Cambridge Institute for Sustainability Leadership's Sustainable Investment Framework to identify global market-level and system-level risks.

The Investment Team is responsible for identifying and managing these risks through portfolio management and company engagement. We also influence these risks through our involvement in industry initiatives and engagement on policy making.

## Market-Wide and Systemic Risks: Portfolio

Our engagement agenda with portfolio holdings is bespoke and created to address the most material long-term risks and opportunities for each specific company. We also recognise that the success of every company depends on well-functioning markets as well as social and environmental systems. Therefore, in addition to engagement on the risk and returns of individual holdings, we analyse and engage with companies in areas of market and systemic risk.

Portfolio construction, including the identification and management of market-wide and systemic risks within the portfolio is overseen by the Investment

Committee and guided by our portfolio-level risk management framework (the Aggregated Risk Map™, 'ARM'). Our Risk Management Committee provides additional input and oversight to identifying and assessing market-wide risks.

The ARM provides a single view of the aggregated risks of all our portfolio companies (via stress testing their cash flows), including fundamental (company-specific), macro/geopolitical, and ESG risks. It informs decisions for rebalancing our portfolio or screening for new companies. The Investment Committee monitors the ARM on an on-going basis. We address market-level and system-level risks in the portfolio through i) portfolio construction to minimize our

exposure to the potential negative impacts of these risks and ii) engagement to improve the resilience of our investments and encourage companies to become sustainability solutions providers. These engagements are outlined in more detail in Principles 9-12.

## Market-Wide and Systemic Risks: Broad Engagement

We recognize there is an opportunity to impact market-wide and systemic risks beyond engagement with our direct portfolio holdings through industry and policy engagement. We focus on the areas with the most impact on our portfolio companies and where we can meaningfully drive change through direct and collaborative engagement with companies, industry bodies and government/regulators. All opportunities for industry engagement are reviewed by a member of our Client Group in coordination with our Lead Portfolio Manager and

approved by the Senior Management Team where necessary.

Our approach to collaborative engagement through industry initiatives is outlined in Principle 10.



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## ACTIVITY AND OUTCOMES

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In 2022, we identified, assessed, and managed market-wide and systemic risks through our portfolio management activities and involvement in industry collaborations.

### Market-Wide and Systemic Risks: Portfolio

In 2022 we stress-tested our portfolio for a number of market-wide and systemic risk scenarios amidst a global backdrop of a historic surge in inflation and post-COVID deglobalisation of supply chains. This exercise informed our portfolio composition and position sizing. The Investment Committee regularly reviewed

the Aggregated Risk Map™ during 2022 as part of their overall portfolio management.

Relevant stress test scenarios that we considered for our portfolio in 2022 included the impact of rising interest rates and a sustained period of high inflation. The findings of our stress testing exercise showed:

- Rising interest rates have a positive impact on the cash flows of our portfolio as our portfolio companies have a net cash balance, it weakens some competition, and the financial exchanges generate more volumes and revenue in a rising interest rate environment.

- Inflation has a very modest/neutral impact because the gross margins in our portfolio are double the benchmark and our portfolio companies have strong pricing power.

We also looked at the impact of changes to the US corporate tax rate on our portfolio through our stress testing tool. In the OC Govern™, we assess tax practices of investee companies using criteria such as tax transparency and the estimated difference between the statutory tax rate and effective tax rate. We currently do not have exposure to companies with controversial or aggressive tax practices, resulting in a manageable expected impact to the portfolio in the event of a change.

Finally, we stress tested our portfolio for a future change in carbon price to update our transition risk assessment. We engaged with all portfolio companies on aligning their business to Net Zero as a

part of mitigating their future risk, as outlined in more detail in Principle 10.

## Market-Wide and Systemic Risks: Broad Engagement

We collaborate through industry groups to influence systemic issues through industry and policies. Please see Principle 10 for a review of our work in 2022.

We are also seeking to identify areas of improvement to our process. ShareAction published an Investor Guide as part of their Long-term Investors in People's Health (LIPH) Initiative. As an investor signatory to the initiative, we used the Investor Guide to map the three impact pillars identified (Worker, Consumer and Community Health) to our ESG assessment tool. This analysis helped us identify areas for improvement which we plan to implement in 2023, including improving our metrics to understand corporate impact on Air Pollution.

# PRINCIPLE 5: REVIEW & ASSURANCE

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

## ACTIVITY AND OUTCOMES

All stewardship-related policies are reviewed on at least an annual basis for their effectiveness. In 2022 all policies were reviewed. We plan to update our Voting Policy in 2023 to reflect improvements related to our escalation approach, in particular using voting to advance progress on climate and diversity targets.

Policy Name	Reviewer
Market Abuse Policy	Chief Compliance Officer
Private Account Dealing Policy	Chief Compliance Officer
Acceptable Use Policy	Chief Compliance Officer
Code of Conduct	Chief Compliance Officer
Remuneration Policy	Chief Compliance Officer
Valuation Policy	Chief Compliance Officer
Best Execution Policy	Chief Compliance Officer
Trade Allocation Policy	Chief Compliance Officer
Responsible Investment and Voting Policy	Investment Committee, Chief Operations Officer, Head of Client Group

Stewardship Reporting was reviewed by the Client Group under the supervision of the Head of the Client Group in 2022 during a team Away Day. Additional feedback was provided by our external Advisory Board on the content and format of our quarterly reporting, with several areas for improvement identified. In response to this feedback, we implemented the following improvements:





In our 4Q 2022 report we added a summary of our engagement activity at the portfolio level, instead of only showing company-specific case studies. While company-specific engagement priorities are helpful, we received investor feedback that they lacked a sense of our total activity across the portfolio and our clients were interested in common themes or areas of focus that emerged from our bottom-up process. In response, we implemented improvements to our engagement reporting to provide analysis and commentary on activity at the portfolio level, rather than just through specific company examples.

## Case Study: Improving Engagement Data

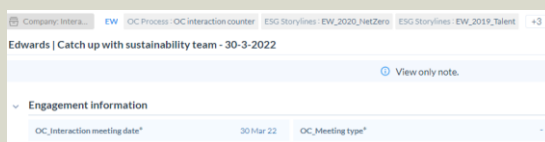
2022 was our first full year of using our portfolio collaboration tool, Senteio.

Through extensive collaboration between the Client Group, Investment Team, and our Chief Technology Officer, we built customised functions for our investment software related to engagement tracking. In 2022, we were able to extract engagement-related statistics from the platform to provide more robust reporting to our clients. The tool now enables us to track:

- Engagement by Type
- Engagement by Topic (29 Potential Engagement Areas linked to our OC Govern™ Tool)
- Engagement Milestones to better show progress over time

### Senteio Snapshots

Source: Ownership Capital



### (Company) Engagement Notes (Interac...

EW	Edwards   CFO meeting - 13-6-22
EW	Edwards   Pre-AGM call - 26-4-2022
EW	Edwards   Catch up with sustainability team - ...
EW	ESG update   Edwards announces Carbon Ne...
EW	FW: Meeting follow up - 28-5-2019
EW	FW: Edwards   Sustainability team engagem...
EW	Edwards   IR catch-up
EW	Edwards   Engagement call - 8-11-21

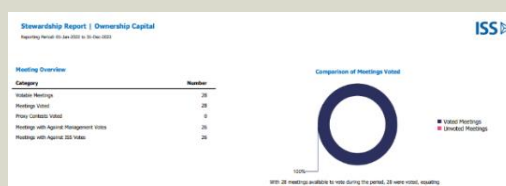
Following the onboarding of ISS as a service provider, we significantly improved our ability to provide detailed information on our voting activity. Prior to the onboarding of ISS, our voting data was managed in Excel and required significant manual inputs to generate client reporting. Using the ISS system has enabled us to better respond to client reporting requests related to our voting.

## Case Study: Improving Voting Reporting

We collaborated with ISS to create customised reporting outputs to improve the efficiency and level of detail we provide to clients on voting. We now include a comparison of OC votes to proxy advisor recommendations to align our disclosure with industry best practice.

### ISS Snapshot

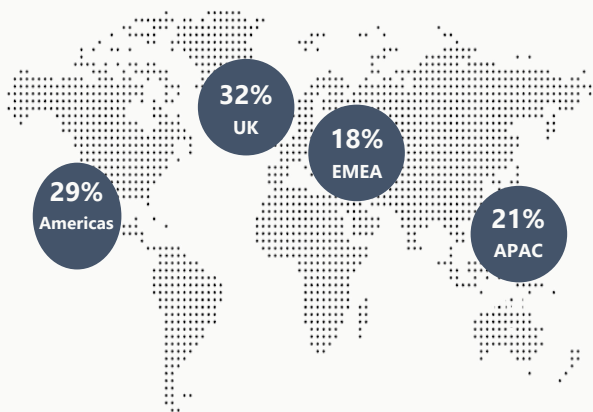
Source: Ownership Capital



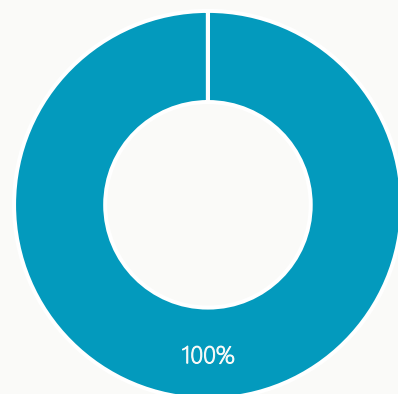
# PRINCIPLE 6: CLIENT AND BENEFICIARY NEEDS

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Client Assets under management by region



Client assets under management by type

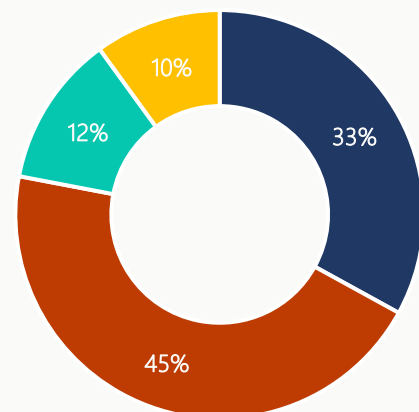


- Institutional
- Retail

Ownership Capital has an institutional-only client base. Our client base has been built thoughtfully since our inception and comprises long-term oriented Endowments, Foundations, Pension Plans and Family Offices that share an interest in sustainable investment and active ownership. Our valuation and risk tools are built on a ten-year investment horizon, which is appropriate for the long-term obligations of our client base. The Client Group is responsible for assessing the alignment of potential investors to the Ownership Capital strategy.

We seek to reduce client turnover by only partnering with clients that align with our long-term engaged ownership approach and ensuring we provide clear communication to our clients prior to investment and throughout the relationship.

As we manage a single investment strategy, our strategy-level and firm-level assets under management are the same. As of 31 December 2022, the AUM of the strategy was £5,032m.



- Foundation & Endowment
- Pension Fund
- Family Office/HNWI
- Other

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# ACTIVITY AND OUTCOMES

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We followed the stewardship and investment policies of our clients in 2022 to the best of our knowledge. Our Client Group is primarily responsible for engaging with our clients through regular meetings, events, and reporting. Members of the Investment Team also regularly join our investor calls to provide direct insights from on the ground experience in monitoring, engagement, and voting.

## Quarterly Report

We provide quarterly stewardship reporting to all Ownership Capital investors. Each quarter we provide 4-6 company case studies from engagements that occurred during the quarter. These case studies include progress made to date with the company, activity or outcomes that happened during the recent period and future milestones. We also include a confirmation of our adherence to our Investment Guidelines and Statement of Investment Principles for commingled funds and the terms of the Investment Management Agreement, including stewardship criteria, in our quarterly reports. Separately, we provide full transparency on voting activity through a voting report that is available to all investors.

## Sustainability Report

Aside from our quarterly reporting, we also have a larger, more wide-ranging Sustainability Report, where we report to our clients on all key aspects of our business and take a step back to see how our engagements have worked over longer time periods.

## Client Meetings

Stewardship is also an agenda item for all client meetings. Alongside a business and investment strategy update, we include a review of stewardship activity in our standard review presentations for existing clients. During our prospective investor meetings, we discuss client stewardship and investment expectations to ensure alignment and identify areas of shared focus.



## Client Webinars

In 2022, we held two client webinars with members of the Client Group and Investment Team. All clients were invited to participate in our webinar events, which included an update on the portfolio and market environment as well as our stewardship activities with portfolio companies on Net Zero and diversity. In 2023 we will improve our webinars through involving more members of the Investment Team to share their experience and views on stewardship.

# PRINCIPLE 7: STEWARDSHIP, INVESTMENT & ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

ESG analysis is a core component of our investment philosophy and process. We believe that the consideration of ESG factors is essential to achieve an accurate and comprehensive assessment of the current state and prospects of any portfolio company. Therefore, we have fully integrated ESG considerations into our investment process from the inception of the strategy.

Due to the integrated nature of our investment approach, OC continuously evaluates the management and ESG performance of its portfolio companies through our on-going company monitoring process. Our OC Govern™ is our key ESG Analysis Tool that we developed at the inception of the strategy and have improved and refined throughout time. All ESG and engagement work is performed by the Investment Team.

## The OC Govern™

While we readily acknowledge that it is impossible to predict the exact magnitude of ESG risk impacts, we think integrating ESG factors into how we value our companies not only makes logical sense, but also gives us an important edge. Therefore, our Investment Team evaluates the management and ESG performance of all portfolio companies prior to investment and throughout the holding period. All ESG analysis is performed by the Investment Team, using proprietary tools (OC Govern™) that have been developed over the last decade.

The OC Govern™ tool has four main categories:

Environmental, Social, Governance and Management. These categories consist of over 100 parameters identified after research of different public sources, academic studies and developed over many years of actively running the portfolio. We use data sources such as Bloomberg, MSCI ESG, Glass Lewis and CDP as inputs to our OC Govern™ model, but we perform our own ratings and analysis for each portfolio company. While ESG data can be valuable, it must be understood in its proper strategic context, which is only possible through a deep and ongoing relationship with company decision-makers. We use inputs from our meetings with the company to inform our ESG assessment. This includes:

- Management meetings
- Ongoing due diligence with company and industry stakeholders (suppliers, customers, former employees, etc.)

We believe that ESG analysis is maximally beneficial in tandem with engagement, as you can go beyond identification to actively influencing companies to manage risks and opportunities. As a result, we engage with 100% of our portfolio companies on the risks and opportunities identified through our ESG analysis. We use our OC Govern™ tool to assess the extra-financial parameters targeted in the engagement process and track progress throughout time.

## ESG Integration Process

**1. Prior to Investment:** Our internal ESG analysis tool, the OC Govern™, is completed by the Investment Team to assess a company's ESG performance and highlight the key material ESG risks and opportunities for the proposed company. The first step involves a Red Flag Analysis to identify major areas of ESG-related risk or impacts, in line with the principle to Do No Significant Harm on environmental or social objectives. We look at over 30 different potential red flags prior to moving further in our process. If the company passes the Red Flag analysis, we move to completing the full OC Govern™ later in our due diligence process. The outcome of the OC Govern™ is directly connected to our valuation and risk models, and therefore our long-term conviction on the company. For example:

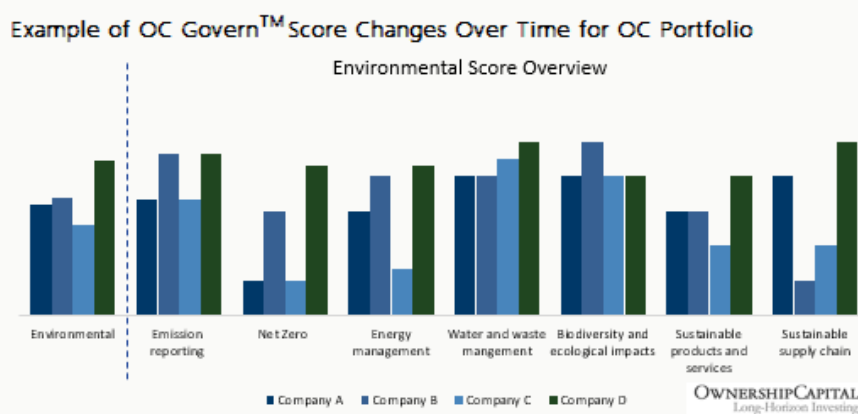
- Risk: ESG risks are included as an input to determine the downside risk of the company, and therefore the position sizing in the portfolio. At a portfolio level, we also conduct a regular stress test on the portfolio to measure the potential economic impact of an increase in carbon prices on individual companies and at the portfolio level.
- Valuation: Our OC Govern™ analysis impacts our valuation model, for example

through future revenue related to sustainable products. Furthermore, the level of ESG risk for the company is an input to determining the discount rate we use for a company in our valuation model.

In addition to its impact on our valuation and risk models, the output of the ESG analysis of the company is included as part of the investment proposal presented to the Investment Committee. The outcomes of the ESG analysis also inform our proposed engagement agenda.

**2. During Investment:** We continuously monitor the ESG performance of our investee companies. Each Investment Team member is responsible for updating the ESG assessment for their own companies regularly. We typically update the model after new data is released through their sustainability report or after meetings with the company.

On each investment we work to develop a long-term sustainability agenda for the company. After discussing this roadmap with company management, the team continues to use the OC Govern™ model to subsequently monitor progress / improvements.



**3. Exiting Companies:** ESG factors may lead to a change in our conviction in the company and ultimately result in us changing our position sizing or exiting. Our OC Govern™ Analysis includes a red-flag analysis which highlights any areas of significant

controversies. If a company has repeated violations of international norms or if the management team shows insufficient progress on our key engagement areas, we will use the escalation policy outlined in Principle 11. In a situation when our escalation policy is ineffective, the Investment Team will divest from the company.

## OC Govern™ Tool Used in Screening, DD & Engaged Ownership

<p><b>Initial Screening</b> <i>Red flag analysis</i></p>	<ul style="list-style-type: none"> <li>- Highlights potential red flags based on a combination of controversy notifications</li> <li>- Companies that show repeated violations of international norms or where management shows no willingness to engage are not investable</li> </ul>	<table border="1"> <thead> <tr> <th>Material Risk</th> <th># Notifications</th> <th>Potential Red Flag</th> </tr> </thead> <tbody> <tr><td>Access to Management</td><td>Yes</td><td>OK</td></tr> <tr><td>Anti-bribe compliance</td><td>Yes</td><td>OK</td></tr> <tr><td>Anti-competition notification</td><td>0</td><td>OK</td></tr> <tr><td>Blasphemy or religious notification</td><td>0</td><td>OK</td></tr> <tr><td>Chemical safety notification</td><td>0</td><td>OK</td></tr> <tr><td>Climate change notification</td><td>0</td><td>OK</td></tr> <tr><td>Customer targeting and data-breach notification</td><td>0</td><td>OK</td></tr> <tr><td>Violations of labor notification</td><td>0</td><td>OK</td></tr> <tr><td>Customer notification</td><td>0</td><td>OK</td></tr> <tr><td>Data security notification</td><td>0</td><td>OK</td></tr> <tr><td>Discrimination and diversity notification</td><td>0</td><td>OK</td></tr> <tr><td>Discrimination across race/ethnicity notification</td><td>0</td><td>OK</td></tr> <tr><td>Environmental impact or compliance notification</td><td>0</td><td>OK</td></tr> <tr><td>Environmental compliance/oversight notification</td><td>0</td><td>OK</td></tr> <tr><td>Business ethics notification</td><td>0</td><td>OK</td></tr> <tr><td>Health and safety notification</td><td>0</td><td>OK</td></tr> <tr><td>Human rights notification</td><td>0</td><td>OK</td></tr> <tr><td>Intellectual property notification</td><td>0</td><td>OK</td></tr> <tr><td>Report on responsibility notification</td><td>0</td><td>OK</td></tr> <tr><td>Marketing compliance notification</td><td>0</td><td>OK</td></tr> <tr><td>Product safety and quality notification</td><td>0</td><td>OK</td></tr> <tr><td>Financial notification</td><td>0</td><td>OK</td></tr> <tr><td>Compliance with sanctions notification</td><td>0</td><td>OK</td></tr> <tr><td>Supply chain notification</td><td>0</td><td>OK</td></tr> <tr><td>Tax and labor notification</td><td>0</td><td>OK</td></tr> <tr><td>Trade relations and trade notification</td><td>0</td><td>OK</td></tr> <tr><td>Vendor stress notification</td><td>0</td><td>OK</td></tr> <tr><td>Consumer response exposure</td><td>0</td><td>OK</td></tr> <tr><td>Controlling shareholder exposure</td><td>0</td><td>OK</td></tr> <tr><td>Multiple Equity Classes with different voting rights</td><td>0</td><td>OK</td></tr> <tr><td>Government ownership</td><td>0</td><td>OK</td></tr> </tbody> </table>	Material Risk	# Notifications	Potential Red Flag	Access to Management	Yes	OK	Anti-bribe compliance	Yes	OK	Anti-competition notification	0	OK	Blasphemy or religious notification	0	OK	Chemical safety notification	0	OK	Climate change notification	0	OK	Customer targeting and data-breach notification	0	OK	Violations of labor notification	0	OK	Customer notification	0	OK	Data security notification	0	OK	Discrimination and diversity notification	0	OK	Discrimination across race/ethnicity notification	0	OK	Environmental impact or compliance notification	0	OK	Environmental compliance/oversight notification	0	OK	Business ethics notification	0	OK	Health and safety notification	0	OK	Human rights notification	0	OK	Intellectual property notification	0	OK	Report on responsibility notification	0	OK	Marketing compliance notification	0	OK	Product safety and quality notification	0	OK	Financial notification	0	OK	Compliance with sanctions notification	0	OK	Supply chain notification	0	OK	Tax and labor notification	0	OK	Trade relations and trade notification	0	OK	Vendor stress notification	0	OK	Consumer response exposure	0	OK	Controlling shareholder exposure	0	OK	Multiple Equity Classes with different voting rights	0	OK	Government ownership	0	OK
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<p><b>Due Diligence</b> <i>Multi-factor ESG analysis model</i></p>	<ul style="list-style-type: none"> <li>- Assess ESG performance with a flexible company-specific framework reviewing over 120 factors</li> <li>- Dual-layer assessment which also identifies relevancy</li> <li>- Informs ESG risk and upside assessment of individual company</li> </ul>																																																																																																	
<p><b>Engaged Ownership</b> <i>Based on engagement priorities</i></p>	<ul style="list-style-type: none"> <li>- Engagement priorities derived from OC Govern based on materiality</li> <li>- Measuring and tracking of engagement progress over time</li> <li>- The quantification of engagement outcomes is linked to OC Govern™</li> </ul>	<p><b>ESG Score Ansys vs Peers</b></p> <table border="1"> <thead> <tr> <th>Category</th> <th>Peers</th> <th>Serviceys</th> <th>FTC</th> <th>Disaustl; Systems</th> </tr> </thead> <tbody> <tr> <td>Environmental</td> <td>3.4</td> <td>3.5</td> <td>2.5</td> <td>4.5</td> </tr> <tr> <td>Social</td> <td>4.3</td> <td>3.6</td> <td>3.5</td> <td>3.9</td> </tr> <tr> <td>Governance</td> <td>4.4</td> <td>4.5</td> <td>4.0</td> <td>4.2</td> </tr> <tr> <td>Management</td> <td>4.6</td> <td>4.1</td> <td>3.5</td> <td>4.1</td> </tr> </tbody> </table>	Category	Peers	Serviceys	FTC	Disaustl; Systems	Environmental	3.4	3.5	2.5	4.5	Social	4.3	3.6	3.5	3.9	Governance	4.4	4.5	4.0	4.2	Management	4.6	4.1	3.5	4.1																																																																							
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# ACTIVITY AND OUTCOMES

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We used our OC Govern™ model to assess all portfolio holdings in 2022 and reflect changes from engagement activities and outcomes. We added one company to the portfolio in 2022. Our ESG analysis was a key point of discussion for the Investment Committee in deciding to enter the name, as outlined below:

## Case Study: ESG Analysis & Engagement Agenda

**Company Name:** Kering (*Consumer luxury*)

**Date of First Investment:** September 2022

**Company Overview:** Kering is one of the leading corporations specializing in luxury goods. It owns the luxury brands Balenciaga, Bottega Veneta, Gucci, Alexander McQueen, and Yves Saint Laurent. The group has gone through multiple transitions from a trading company to a broad retailer (owning FNAC and Puma) to now becoming solely focused on luxury with a rebrand of the group to Kering.

**ESG Analysis Outcome:** Kering scored well overall on our internal ESG analysis, but we identified a number of areas for improvement and future engagement. Our analysis highlighted the opportunity to drive higher standards on social and environmental sustainability in their supply chain and to increase focus on the longevity and circularity for their products. We also identified a lack of disclosure on ethnic diversity beyond the Board level.

**Pre-investment Engagement Process:** We shared the output of our analysis with the company, including their Head of Sustainability, during the due diligence process and prior to initiating a position in the company. The company's detailed response on our engagement agenda showed their willingness to engage with Ownership Capital on our priority items. The positive pre-investment dialogue on our engagement agenda was a key factor in our decision to invest in the company in 2022.

**Future Engagement Priorities:**

- Improve sustainability of supply chain through engagement with suppliers
- Developing services to extend life of product

## OC Govern™ Enhancements

In 2022 we also made several enhancements to our OC Govern™ model to reflect the improvements in ESG data availability and make the tool more user friendly. The most significant updates included:

1. In the initial stage of our investment due diligence we added parameters to a Red Flag Scan to identify potential issues at an earlier stage.

The analysis checks whether there are any notifications on over 30 potential red flag topics, which would require investigation before moving ahead. This ensures that the Investment Team becomes aware of any material ESG issues at an early stage of their due diligence, rather than finding out after spending significant time on additional

analysis. The output of the red flag analysis is included in the Initial Investment Overview produced by the Investment Team.

2. We expanded the OC Govern™ from approximately 75 to over 100 parameters to reflect greater data availability and the increasing expectations on social and environmental performance.

For example, we now have several parameters to assess and monitor the nature of offsets used in company decarbonisation transition plans. This includes tracking the type of offset, for example whether the company uses high-quality nature-based solution projects or invests in carbon capture technologies.





# PRINCIPLE 8: MONITORING MANAGERS & SERVICE PROVIDERS

Signatories monitor and hold to account managers and/or service providers.

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## ACTIVITY AND OUTCOMES

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### Service Providers

We regularly review all our service providers based on feedback from users across the firm including the Investment Team, Operations Team, and Client Group.

#### MSCI

The most notable update to our service providers in 2022 was the addition of MSCI ESG Data. We continue to perform our own ESG assessment and do not use MSCI ESG ratings but are now able to benefit from using their raw corporate sustainability data inputs on parameters like carbon emissions or water usage through the MSCI platform. We selected MSCI after a careful review of multiple data providers conducted by the Investment Team, Client Group and Operations Team through 2021 and 1Q 2022. The key advantages we identified for MSCI were coverage of our investment universe, an ability to pull historical data on companies to note trends over time and reporting capabilities aligned to the EU's SFDR Regulations. While this does not represent a material change to our investment process or philosophy, it has improved the access to data points used in our ESG analysis.

### Voting

Regarding voting, we use voting execution services from Institutional Shareholder Services (ISS) and research from ISS and Glass Lewis. We use this research to supplement our internal OC Voting Policy and Guidelines, company-specific Roadmap to Sustainability and OG Govern™ analysis. We ultimately make our own voting recommendations for all votes and our internal tools are the primary drivers of our voting decisions. We will engage with proxy advisors if we believe the voting direction recommendation is unjustified or if we believe some data points / aspects were missed in the consideration of a vote recommendation. For example, we engaged last year with ISS on voting thresholds and differences between regions and recommendation differences by stocks size, indices, etc. In 2022, we also integrated our own voting policy within the ISS platform to streamline the process of generating voting recommendations in accordance with our internal voting policies.

We review our other research resources annually to reflect the Investment Team needs. These providers give us access to independent experts and key opinion leaders. There were no significant changes made to our research providers in 2022.

## Outsourcing Arrangement

Ownership Capital uses outsourced arrangements for certain middle and back-office operations (including settlement, reconciliation, investment accounting, NAV calculation and post-trade compliance) as well as our IT management.

All outsourced arrangements we have in place are documented in written agreements (SLAs) describing among others the nature and scope of services outsourced along with the agreed service levels and key performance indicators (KPIs). It is of utmost importance to Ownership Capital that the performance of such service levels is closely

monitored to ensure continuous satisfactory performance of the outsourced arrangements.

We use the following processes to ensure proper monitoring:

(i) Periodic service review meetings (at least quarterly), where KPIs for the period are reviewed by the COO

(ii) Annual SLA reviews

(iii) Periodic face-to-face/onsite visits between Ownership Capital and the service provider

(iv) Ad hoc due diligence sessions where we review the providers processes for certain core functions

In 2022, we held periodic service review meetings with all our outsourced providers. There were no significant areas of improvement identified and our outsourced providers met our needs for the year.



# PRINCIPLE 9: ENGAGEMENT

Signatories engage with issuers to maintain or enhance the value of assets.

## Engagement

Meeting with key stakeholders of our investee companies has always been a part of our due diligence and monitoring process. In our process we typically meet with customers, suppliers, former employees as well as the Management Team, Board and ESG or Sustainability Team. This in-depth monitoring is core to the Ownership Capital strategy as it enables us to look beyond policies and develop a deep understanding of management's proactivity in managing long-term risks and opportunities. Meeting with management helps us identify potential problems in the company's long-term future and inform better buy or sell decisions.

Access to the company also enables us to conduct engagements, which we consider to be targeted communication with the company on specific objectives. Engagements can include one-to-one calls or meetings, group calls or meetings, e-mail or letter writing or participation in collaborative engagements. Our primary focus is one one-to-one calls or meetings with our portfolio companies as we believe we can achieve significant impact as a long-term investor through private discussions

with the company. We often discuss multiple engagement areas in a single meeting with a company, reflecting the interconnected nature of sustainability issues. Engagement can catalyse long-term value creation through improvement in a company's sustainability strategy. Our ESG model, OC Govern™, provides a framework for understanding a company's current ESG profile, identifies areas for improvement and guides the construction of our engagement priorities. We invest in companies which meet our minimum sustainability threshold ("Red Flag Scan") indicated by our OC Govern™ tool and where the management team is open for engagement to increase the probability of positive outcomes.

Over the course of our engagement, we expect to see the improvements made by the company result in changes that reduce risk for the company or improve return opportunities, which are reflected in the OC Govern™ tool output. We update the input within the OC Govern™ regularly after company meetings or relevant press releases.

**We have engaged with 100% of our portfolio holdings since the inception of the investment strategy.**

Our engagement process includes the following steps:

1 ESG Analysis and Company Due Diligence

2 Creation of Roadmap to Sustainability

INVESTMENT MADE

3 Ongoing Monitoring and Engagement

4 Regular Engagement and Re-Evaluation

ESG Analysis and Company Due Diligence is explained in detail in Principle 7. The other steps of our engagement process are detailed below:

### Creation of Roadmap to Sustainability

Our OC Govern™-based ESG analysis identifies the key risks and opportunities to each company based on an in-depth company- and industry-specific materiality assessment. On each investment we develop a company-specific engagement agenda, which we call our Roadmap to Sustainability. This outlines key actionable engagement priorities relating to environmental, social, governance and management/strategy.

### Ongoing Monitoring and Engagement

Engaging directly with management enables us to maintain an active dialogue over time and hold the company accountable for progress. We set measurable targets with viable timelines and track milestone achievements against our initial plan over time. Our engagement meetings are focused on key decision makers - Management Team and Board, but also other influential groups including Sustainability/ESG Teams and IR.

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#### Example Engagement Priorities: Dexcom

As one of the largest manufacturers of continuous glucose monitors globally with a significant manufacturing footprint, the company should manage environmental impact through the measurement and disclosure of Scope 1, 2 and 3 emissions and a plan for decarbonisation targets.

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##### Key Climate-Related Engagement Priorities:

1. Measure and disclose Scope 1, 2 and material Scope 3 emissions by FY 2023 Reporting
  2. By 2030, set science-based decarbonisation targets aligned with Net Zero by 2050 or sooner
-

## Regular Engagement Re-Evaluation

The Roadmap to Sustainability is a “live” assessment which we update continuously either because the company is moving forward in its achievements or because we identify new areas for engagement. We use the OC Govern™ tool to monitor progress / improvements over the holding period. In the short term, we track our activity and dialogue with the company to assess the success of our engagement. Over the long term, we measure success and progress by assessing

the outcomes achieved through engagement as indicated by the changes in score in our OC Govern™ and the milestones registered in the Roadmap to Sustainability. By continuously re-evaluating the priorities and following up with the company on predetermined goals, we expect the outcomes of our engagement to result in improved environmental, social, governance and management performance over the long term. We use voting to reinforce and if necessary, escalate our engagement efforts. Annual voting at the companies’ AGM and our escalation policies detailed in Principle 11 and 12.

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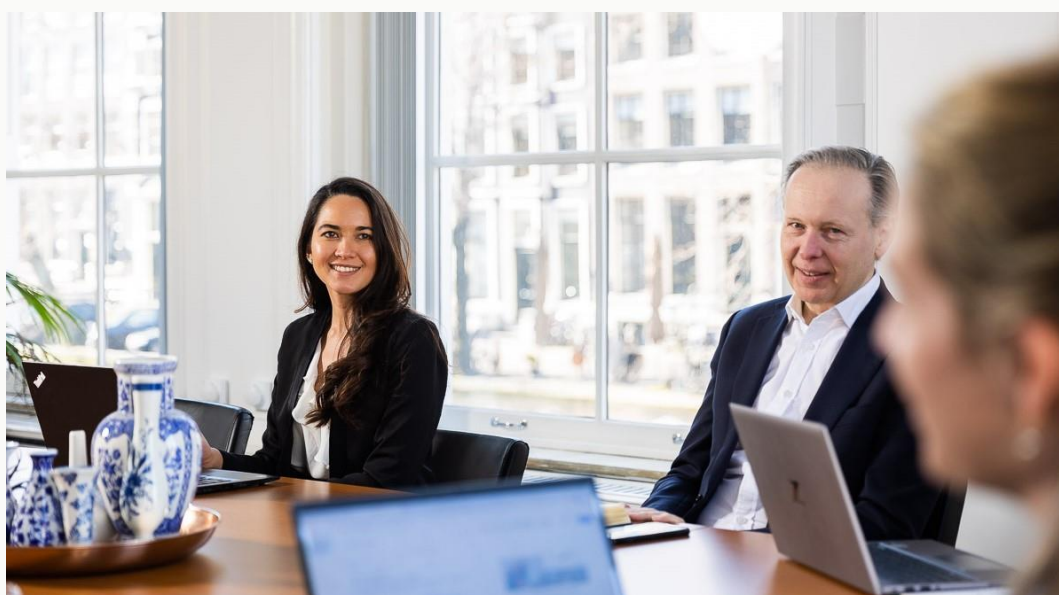
## ACTIVITY AND OUTCOMES

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In 2022, we had 158 engagement interactions across our twenty-nine total portfolio companies held throughout the year, averaging over five engagements per company. On average, Four of the five meetings were held with the executive management team or the Board of the company.

We engage with companies across twenty-nine engagement priorities. In 2022, the most notable themes that emerged through executing our company-specific

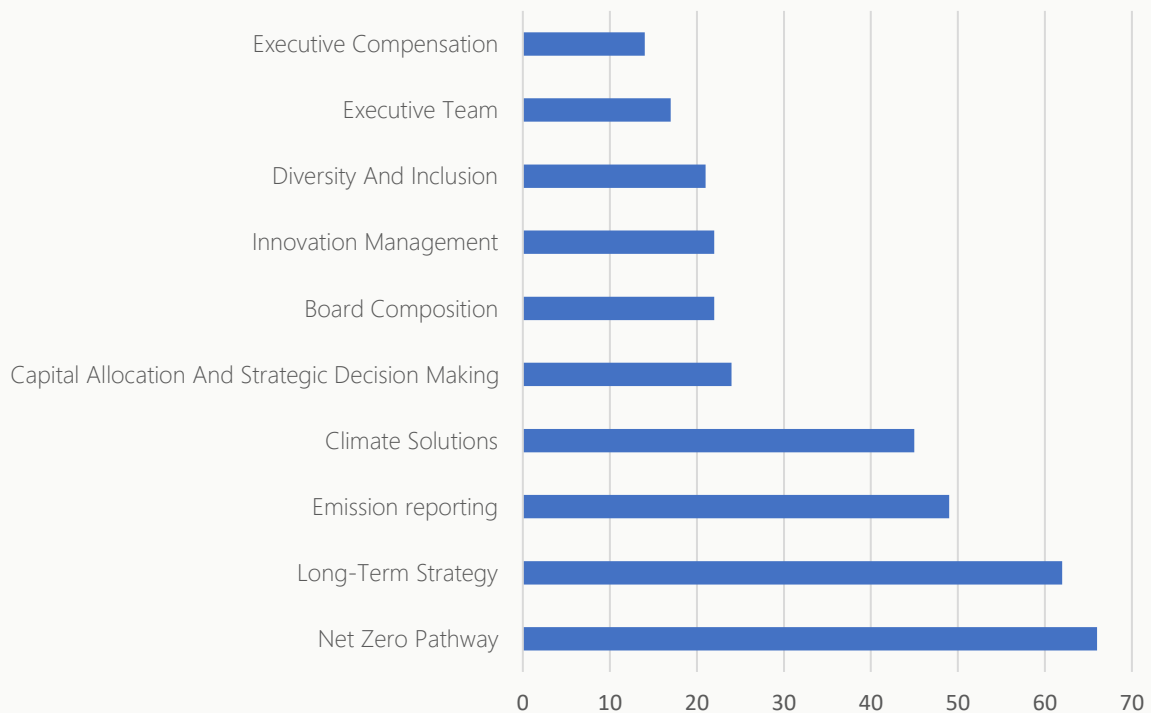
engagement agendas were Net Zero, diversity, executive pay, and long-term strategy. A large part of our engagement was aligned to our portfolio-level targets on Net Zero and Board Diversity, for which 2022 was the first full year of engagement.



## Engagement Interactions by Topic



## Top 10 Engagement Topics (by # Interactions)



## Net Zero

As mentioned in Principles 4 and 10, Ownership Capital engages with each portfolio company on our portfolio-level Net Zero target. Forty-four percent of all our engagement activity focused on Environmental and Climate action. Our portfolio targets are:

### *Disclosure*

All portfolio companies disclose Scope 1, 2 and to the extent possible, material Scope 3 emissions by FY 2023 reporting.

### *2030 Net Zero Aligned*

All portfolio companies held for longer than 36 months to achieve Net Zero alignment by 2030. This includes third-party verified, science-based decarbonisation targets and capital allocation plans aligned with achieving Net Zero emissions by 2050, or sooner.

We closely monitor the progress of our companies to ensure they are following through on their commitments by showing emissions performance in line with their stated ambitions. In 2022, we engaged with 100% of our companies on aligning to Net Zero. Whilst there is still more work to be done and engagement on the topic is intensive, a third of current investee companies have already set decarbonisation targets approved by the Science-Based Targets Initiative (SBTi), with several others making public commitments to set science-based targets in the near future. We expect further commitments and formalised targets in the next 3 years as companies are putting in place the necessary frameworks and organisational structures to achieve this.

While our companies remain at varying stages of their journey, we saw progress towards Net Zero across the portfolio in 2022. For some companies, like ICE and TradeWeb, this meant reporting on emissions for the first time. For others which are at later stages of their journey, this was setting decarbonisation targets. Five portfolio companies made decarbonisation commitments or set targets through the Science-Based Targets Initiative in 2022:

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### Companies with new Science-Based Targets Initiatives (SBTi) in 2022

Edwards	Committed to Near-Term SBTi
illumina	Set Near-Term, Long-Term and Net Zero Targets
Mettler-Toledo	Set Near-Term, Long-Term and Net Zero Targets
Synopsys	Committed to Near-Term SBTi
Workday	Set Near-Term Targets

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## Case Study: Setting Decarbonisation Targets

**Company Name:** Mettler Toledo (Precision measurement tools)

**Date of First Investment:** June 2014

**Company Background:** Mettler Toledo (Mettler) is a leading global provider of precision weighing equipment and services. Its solutions are critical in research & development, quality control and manufacturing processes in a wide range of industries including life sciences, food, and chemicals. Mettler's broad portfolio of precision measurement tools and its focus on cross-selling, process optimization and production modularization, enable steady margin expansion and market-share gains within a fragmented competitive landscape.

**Engagement Priority:** Mettler Toledo achieved considerable progress since our initial investment on key engagement items including improving measurement and disclosure of carbon emissions, achieving absolute emissions reductions of 58% over the last 4 years and increasing total energy consumption from renewable sources from 36% in 2019 to 100% in 2021. Despite this progress, we wanted the company to set science-based reduction targets as a next step in their journey of leadership in the corporate low-carbon transition.

- Before 2030, set science-based decarbonisation targets aligned with achieving Net Zero by 2050 or sooner.

**Engagement Outcomes:** In 2022, Mettler Toledo published near-term, long-term and Net Zero targets through the Science-Based Targets Initiative (SBTi). The company committed to reduce Absolute Scope 1 and 2 GHG emissions 70% by 2030 from a 2019 base year and Absolute Scope 3 GHG emissions from purchased goods and services, fuel and energy related activities, upstream transportation, business travel, employee commuting, and use of sold products by 30% by 2030 from a 2019 baseline. They also committed to reaching net-zero greenhouse gas emissions across their value chain by 2050.

**Future Engagement Priorities:**

- Improve gender diversity of the Board with the pending retirement of two male directors in 2023.
- Disclose statistics on ethnic diversity of workforce in upcoming sustainability report.
- Extend sustainability excellence to products/services by exploring innovations to improve product life cycle through repair in the near term.



## Climate Solutions

We also want our companies to adopt a system-level approach to decarbonisation, where companies and industries are encouraged to work together to provide global solutions and engage with our companies on environmentally sustainable products. Forty-five of our engagements with companies in 2022 were focused on providing meaningful climate solutions to their customers

**Company Name:** Ansys (Simulation software development)

**Date of First Investment:** June 2016

**Company Background:** Ansys provides computer-aided engineering software that simulates real-world conditions on physical products under development. The software helps engineering organisations operate sustainably by reducing the need for expensive and wasteful physical prototypes, while creating more efficient end products. Through its leading market position and product offering, we believe Ansys is well-placed to capitalise on the long-term pressures on corporations to improve product quality and sustainability, customer satisfaction, and accelerate time-to-market.

**Engagement Priority:** Since our initial investment we have encouraged Ansys to maximize the positive environmental impact they can achieve through their product by incorporating the key benefits into their commercial strategy.

- Measure and communicate the opportunity for customers to reduce their emissions and increase their ability to create sustainability solutions through using Ansys simulation software.

**Engagement Outcomes:** Ansys launched their Earth Rescue series in 2022, an online programme highlighting how visionary companies are using Ansys products to make a drastic positive impact on climate change. The programme clearly articulates the impact of simulation on four key areas related to climate impact and solutions: i) speed to market ii) resource efficiency iii) reduced footprints and iv) reduced costs.

**Future Engagement Priorities:**

- Increasing the ambition of company's current -15% reduction in Scope 1 and 2 emissions by 2027 vs. a base line of 2019 (for example competitors have targeted 30-50% over the same timeframe).
- Reach 30% minority gender board representation from currently 3/10 females on the Board.

## Board Diversity

Research has shown many benefits of a diverse and inclusive workplace: higher revenue growth, greater readiness to innovate, increased ability to recruit a diverse talent pool, and higher employee retention. Corporate culture improves with better diversity - when employees trust that they, and their colleagues, will be treated fairly, regardless of race, gender, sexual orientation, or age, they are likely to look forward to going to work, have pride in their work and want to stay a long time at their company. Like Net Zero, we believe diversity, equity and inclusion is important for every business and have set targets for all our portfolio companies. These include achieving at the Board level:

- A 30% minority gender diversity
- At least one or more racially or ethnically diverse member

Today, Ownership Capital portfolio companies have 32% female board directors. There has been considerable progress made in the last 10 years. 56% percent of portfolio companies currently meet our target of at least 30% minority gender diversity on the board. In 2022, we cast eleven votes against the chair of the nominating committee of the Board and engaged with the senior management and/or Chairperson of the Board with 100% of companies that do not already meet our target.

88% percent of Ownership Capital companies meet our portfolio target of having at least one or more apparent racially or ethnically diverse members.

To improve our engagement on Diversity, in 2023 we will be voting against or withhold our vote from the chair of the nominating committee (or other directors) where the board has no apparent racially or ethnically diverse members.

## Case Study: Board Diversity

**Company Name:** Intercontinental Exchange (Provider of data and electronic marketplaces for futures and equities)

**Date of First Investment:** February 2020

**Company Background:** Intercontinental Exchange (ICE) was founded to develop an internet-based platform to provide a more efficient market structure for trading. ICE has diversified over time, also providing financial data and analytics, which is now the fastest-growing area of its business. It currently operates twelve regulated exchanges and marketplaces.

**Engagement Priorities:** The board composition at ICE has been a topic of engagement for us since our initial investment in the company. Our engagement priorities included:

- Improve gender diversity of the Board
- Board rejuvenation needed to add new members with outside experience and viewpoints

**Engagement Outcomes:** Since our investment, the company has significantly improved its board composition. In 2022, the company retired three current directors and added Ms. Tirinnanzi to the Board, addressing our engagement on rejuvenation and enhanced Board Diversity. At ICE, today 60% of the directors are female (33% increase since investment), 70% are younger than 65 (43% increase) and 70% have had a tenure of less than five years (34% increase).

Please refer to Principle 11 for a case study example related to escalation on Gender Diversity at PTC and Principle 12 for examples of voting as an extension of our engagement efforts on Board Diversity.

### Executive Compensation

We believe that executive compensation plays a key role in driving long-term value creation. We expect an appropriate and reasonable level of incentives for management to protect investors' interest in the long run which are linked to relevant, measurable, and disclosed KPIs. Additionally, we focus on aligning executive compensation with our Roadmap to Sustainability, specifically environmental and social factor inclusion. Executive compensation takes time to change which is why we focus on consistent engagement with companies through meetings, voting and escalation.

We acknowledge that there is significant room for improvement within our companies, as reflected in our engagements and votes during 2022. Executive compensation was a source of engagement in fourteen different meetings with ten of our companies during the year. We voted against at least one specific compensation package

for more than half of our portfolio companies, at their Annual General Meeting.

During 2022, we also successfully achieved for inclusion of ESG targets in executive compensation for both Mettler Toledo and MarketAxess. We will continue to engage intensively with our portfolio companies on this topic in 2023. Please see Principle 11 for an example of escalation on executive compensation with Abiomed and Principle 12 for examples of our use of voting to exercise our rights and responsibilities related to Executive Compensation.

### Strategy

Long-term planning, capital allocation and innovation management determine the future resilience of our companies' business models. Given our long-horizon investment framework, we continuously assess and engage with management on these topics.

In 2022, we engaged on business strategy topics during 56% of our meetings with management. Engagement on strategy took place for two-thirds of our portfolio companies during the year.

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#### MarketAxess

**Date of Initial Investment:** Jan 2017

Inclusion of ESG Metrics in Executive Compensation

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**Company Background:** MarketAxess operates an electronic fixed income trading platform which provides increasing transparency, liquidity and accountability while helping clients achieve better overall pricing outcomes and efficiency.

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**Engagement Priorities:** We engaged with the company on improving the metrics used in evaluation for executive compensation.

- Link ESG metrics and performance to executive compensation

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**Engagement Outcomes:** Long-term, pre-defined diversity and human capital targets will be included in the determination of the global management team's individual performance payouts for their 2022 annual cash incentives.

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## Case Study: Employee Retention & Talent

**Company Name:** Adyen (Payments services provider)

**Date of First Investment:** May 2019

**Company Background:** Adyen is a global payment services company, helping merchants accept payments both online and in-store. The company acts as a complete payment provider and is a disrupter in the space, connecting businesses to payment networks without all the legacy integrations and customizations most other providers require. We are positive about the long-term outlook for Adyen as the business is well run and has an inherently solid ESG profile.

**Engagement Priorities:** There is a challenging competitive landscape in the payments space with several VC-backed competitor firms operating in prime locations for talent recruitment and offering attractive benefits. We had particular concerns around the company's ability to access technology talent given their current office locations.

- Improve access to technology talent through exploring new locations

**Engagement Outcomes:** In 2022 the company opened talent hubs in Madrid and Chicago to demonstrate their long-term investment in technology teams and improve access to diverse talent pools in support of future innovation.



# PRINCIPLE 10: COLLABORATION

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Our primary form of engagement is through one-to-one engagements with our investee companies as we believe that building a direct relationship between our Investment Team and the company supports the engagement progress over the long term. Due to the interconnectedness of sustainability topics, we also tend to engage on multiple topics in each engagement meeting, whereas collaboration tends to focus on single issues. However, we do engage collaboratively with the industry on issues which we consider complimentary to our company-specific and portfolio-level engagement priorities. We are actively involved in the following industry initiatives.

Organization	Theme	Involvement
UNPRI	Responsible Investment	Signatory. Our CIO chairs the Listed Equity Committee, and our Head of Sustainability is a member of the Net Zero Listed Equity Practitioners' Group.
TCFD	Climate	Supporter
Transition Pathway Initiative	Climate	Asset Management Supporter
Future of the Corporation	Responsible Investment	Advisory Board Member
Investor Forum UK	Stewardship	Full Member
Net Zero Asset Managers Initiative	Climate	Signatory
Intentional Endowments Network	Responsible Investment	Signatory
100 Women in Finance	Diversity	Individual Employee Members

We are also signatories of the following investor statements:

- Paris Pledge for Action (Climate)
- Montreal Pledge (Climate)
- Global Investor Statement to Governments Climate Change (Climate)
- Global Investor Letter to G20 Nations (Climate)
- UN Clean Seas (Biodiversity)
- EU Alliance for Green Recovery (Climate)
- Investor statement on deforestation and forest fires in the Amazon (Biodiversity)
- US NDC Business and Investor Letter (Climate)
- 2021 Global Investor Statement to Governments on the Climate Crisis (Climate)
- Long-term Investors in People's Health (LIPH) initiative (Health)

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## ACTIVITY AND OUTCOMES

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### PRI

We increased our engagement with the PRI in 2022. As the world's largest responsible investment organization, we believe that active participation in the PRI provides a significant opportunity to impact a more sustainable and resilient financial system. In 2022, we collaborated through:

- Our CIO served as the Chair of the PRI's Listed Equity Committee
- We published a blog as part of the PRI's recently launched Principles to Practice series focused on best practices in ESG integration in Listed Equities (available [here](#))
- We joined and participated in the PRI Net Zero Listed Equity Practitioners' Group focused on collaboration with other asset managers and consultants on evolving best practices in Net Zero portfolio target setting and implementation.
- We provided input on the PRI's Investor Guide on the implementation of

engagement in passive investment strategies.

- We contributed to the development of the PRI's Listed Equity DDQ, providing guidance to asset owners on asking key questions to evaluate and assess the responsible investment practices of their asset managers.
- Members of our Investment Team and Client Group attended the PRI in Person Conference in Barcelona to collaborate with clients and peers on advancing the responsible investment agenda.

### NZAMI

Ownership Capital joined the Net Zero Asset Managers Initiative (NZAMI) in July 2021 to acknowledge the urgent need for collective action on the transition towards global net zero emissions and ensure a just transition. We committed to support investment aligned with net zero emissions by 2050 or sooner and to work in partnership with asset owner clients on their decarbonisation goals.



Following the guidelines of the Net Zero Asset Managers Commitment (available [here](#)) we developed portfolio-level targets in line with the Science Based Targets Initiative's (SBTi) Portfolio Coverage Approach. We participated in the Net Zero Asset Manager Initiative meetings in 2022 and engaged directly with the organisation in the process of submitting and validating our portfolio targets. In 2022, our targets were accepted by the Investor Agenda via its partner organisations to confirm that the approach is based on a robust methodology. Our engagement in 2022 on Net Zero is outlined in Principle 9 above.

We were also involved in the following collaborative activities with industry groups: Our Lead Portfolio Manager spoke at the ICGN Rights and Responsibilities conference on Net Zero Investment best practices.

- Our CEO and members of the Client Group participated in the GIIN Investor

Forum and hosted an investor dinner to connect leading groups in responsible investment.

- Members of the OC team attended member events in London for 100 Women in Finance.
- We joined ShareAction's Long-Term Investors in People's Health and a member of the Senior Management Team and Manager in the Client Group attended their launch event in London.

We recognise the key role of policy in addressing system-level and market-level risks. For example, the proposed SEC regulation on climate disclosure is a direct opportunity to advance our portfolio engagement with companies on providing appropriate climate-related disclosures. In 2023 we will seek more opportunities to engage on policy making, for example through providing feedback on open consultations either directly or through working with industry bodies.

# PRINCIPLE 11: ESCALATION

Signatories, where necessary, escalate stewardship activities to influence issuers.

As active ownership is a key aspect of our investment process, our approach is to engage continuously with all our portfolio companies.

To increase the likelihood of success in our engagements, we begin our process before investment through meeting with the company and generally sharing our ESG analysis and engagement priorities (Roadmap to Sustainability) to establish expectations on potential engagement progress. As outlined earlier, we also continuously monitor and re-evaluate priorities when actively interacting with the company to manage outcomes.

In cases where progress stalls and does not meet our expectations without a valid reason, we have a formalised escalation process which includes raising issues directly to the Board, voting practices and ultimately, divestment.

Our escalation process is outlined below.

## 1. Engage with Board

If our initial engagement is partially successful (company acknowledges the issues but no commitment) or unsuccessful, our first step of escalation is to engage with the Board of Directors in the form of letters, emails, calls, or meetings to discuss the matter in more detail.

## 2. Vote against the Board

Depending on the severity or urgency of the situation, and the structure of the board, a continued failure to progress on our engagement goals leads to vote against:

- the Chair of the relevant Board committee
- Chair of the Board of Directors
- the entire Board of Directors

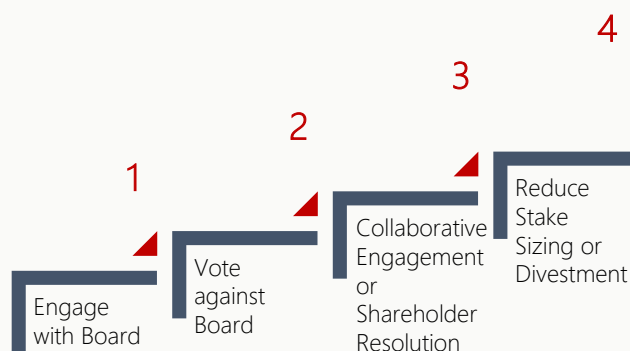
## 3. Collaborative engagement/Potential shareholder resolution

A decision to escalate engagement might result in collaboration with other institutional investors. This would take the form of a joint letter initially, followed up with a meeting. We may also utilize our voting rights to effect change through filing or co-filing shareholder resolutions.

## 4. Potential divestment

Should these efforts be unsuccessful, we may reduce or fully divest our stake in the concerned company.

## OC Escalation Process





In 2022, we escalated some of our engagements through engagement with the Board and voting against the responsible director as outlined below.

## Case Study: Escalation

**Company Name:** Abiomed (Minimally invasive heart pump manufacturer)

**Date of First Investment:** June 2021

**Company Background:** Abiomed is the inventor and manufacturer of the smallest heart pump in the world, which provides continuous and effective support to the heart in the case of acute and non-acute heart failure. The heart pump is implanted through a minimally invasive catheter-based approach which minimizes patient risk, treatment time, and hospital stays, resulting in lower costs for the hospital system and most importantly more patient lives saved. Due to the company's strong patent protection and continuous innovation, Abiomed is uniquely positioned to increase penetration in the underserved market for high-risk cardiovascular care.

**Engagement Priorities:** We engaged with the company on improving their compensation structure to better align with shareholders and long-term performance.

- Incorporate more long-term incentives
- Limit time-based compensation

**Escalation:** We voted against the compensation package for Abiomed in 2022 and communicated our rationale to the company but did not see change following our Vote Against. In 2022 we escalated our engagement to the Chair of the Governance and Nominating Committee from the Board through a one-to-one video call on our expectations related to executive compensation.

**Escalation Outcomes:** Our engagement led to an agreement in principle on a change in the composition of executive pay. Following this change, the company was acquired by Johnson & Johnson at a 50% premium to the last traded price prior to the announcement. We decided to exit the position in the run-up to the deal closing at the end of 2022. Despite a positive outcome from our escalation process with the company, this demonstrates how outside events such as mergers and acquisitions can impact our goal to be a long-term shareholder of our companies.

## Case Study: Escalation

**Company Name:** PTC (Global provider of software for product design, product life cycle management, industrial asset optimization, procurement, and manufacturing coordination)

**Date of First Investment:** July 2018

**Company Background:** PTC helps its customers in industrial, aerospace, semiconductor, automotive and retail sectors bring computer assisted design to reduce lead times and waste in the design and lifecycle management of its products. As products become more complex, computer assisted design can help digitise and optimise the process.

**Engagement Priorities:** We have engaged on the composition of PTC's Board through meetings with the management team and the Board itself. Despite this engagement, the company still did not meet our expectations regarding Board Diversity.

- Improve gender diversity of the Board to meet our minimum expectation of 30% minority gender representation

**Escalation:** As a follow up to our direct engagement on this topic, we voted Against chair of the nominating committee in 2022.

**Escalation Outcomes:** Following our vote, Ms. Michal Katz joined PTC's board, increasing female board membership to 30% (up from 12.5% in 2016 and 22.2% in 2019). She is recognised as one of the Most Powerful Women in Finance by American Banker and one of the Most Influential Corporate Directors by WomenInc. This was a welcome addition, increasing both gender diversity and board independence.

# PRINCIPLE 12: EXERCISING RIGHTS & RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

We consider (proxy) voting an important engagement tool, and we typically exercise voting rights for all AGM's and ballots for which we are eligible. The only circumstances in which we do not exercise voting rights is when we are in the process of fully divesting a portfolio company or have already fully divested the stake prior to the AGM.

Our pro-active engagement with the portfolio companies includes discussion of our voting prior to the AGMs. Our Investment Team reviews research and recommendations from multiple third-party proxy advisors as an information source and to understand market opinion on key areas, but ultimately the Investment Team decides how to vote based on our voting guidelines and our knowledge of each company's business situation. We supplement this through an ongoing dialogue with management. The recommendations are collected by one member of the Investment Team, responsible for the screening of the recommendations against the internal voting policy and checking for consistency against previous voting activity. Once this screening is successfully performed, the voting instructions are sent to the proxy voting platform.

## Voting Principles

We operate only one investment strategy at Ownership Capital, so we do not face issues in voting in conflict between different strategies within the firm. We run a single strategy and are responsible for voting decisions across our commingled vehicles. For segregated mandates, clients may choose to retain their voting rights. In most cases clients have chosen to vote in line with our recommendations. Our voting principles are summarized below and publicly available on our website [here](#).

**Optimising risk / return:** As a long-horizon investor, Ownership Capital has a fiduciary duty to contribute to its clients' interests by voting in such a way that optimizes risk / returns for shareholders in the long term.

**One share, one vote:** Ownership Capital supports the principle of 'one share, one vote' granting equal rights to all

shareholders. Where a potential portfolio company issues shares with differing rights, Ownership Capital requires a transparent definition of these rights and a clear explanation of why voting rights are not equal.

**Alignment of interest:** Ownership Capital will support resolutions that aim to improve performance with regards to the OC Investment Principles including, but not limited to, those related to extra-financial risks (Environmental, Social, Management, and Governance).

**Know-what-you own principle:** Ownership Capital asks from its portfolio companies that they disclose operations, financial, and governance information in a timely, complete, and comprehensible manner.

**Shareholder proposals:** Ownership Capital actively votes on shareholder proposals where appropriate on a case-by-case basis.

**Continuous discussion:** Ownership Capital proactively engages with the senior management of all portfolio companies. It strives to identify and discuss issues well ahead before these come to formal voting at the AGM. Voting decisions are taken in the context of the engagement.

**Conflicts of Interest:** Potential conflicts of interest can arise in investment management operations. It is a requirement that all reasonable steps be taken to identify conflicts of interest that may arise either between clients and/or between clients and the investment manager. In voting, to avoid any potential conflict of interest, it is our policy to abstain from a shareholder vote in relation to

direct investment in another of the investee group’s affiliated companies and in circumstances in which the interests of clients diverge. In all cases where a potential conflict of interest arises with a client, the position will be referred to the senior management team of Ownership Capital, and every effort will be made to resolve such issues in the client’s favour.

**Securities lending:** Securities lending is not used in any of our commingled fund products. For segregated mandates, we send out notifications to clients to make them aware not to lend between the record date and meeting date where applicable.

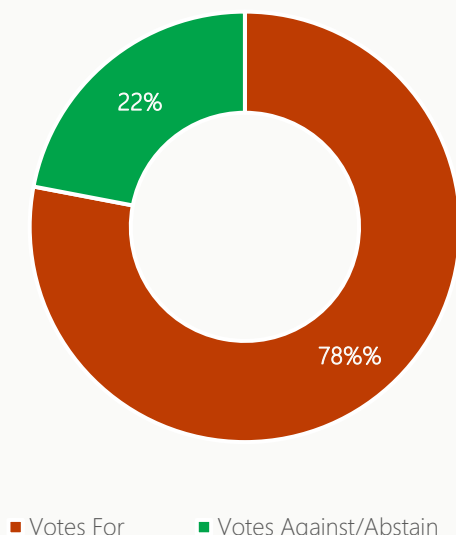
## ACTIVITY AND OUTCOMES

We actively exercised shareholder voting rights at 100% of meetings available in 2022 (28 in total).

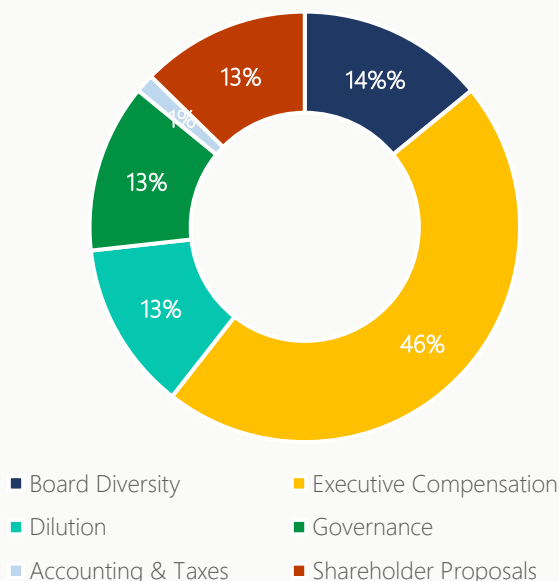
In 26 out of 28 meetings we voted against management and in 26/28 meetings we voted against ISS recommendations on at least one resolution. The votes cast on Ownership Capital ballots during the reporting period are aligned with management in 76% of cases, as compared to 91% alignment with management from ISS Benchmark Policy recommendations. Votes cast during the reporting period were least in line with management on Compensation.

### Voting Summary 202

Total Votes Cast



Votes Against Management/ Abstain



We consider voting to be a key part of our engagement with portfolio companies. Please find our full voting records for 2022 available publicly on our website [here](#). Please find a summary below of our ten most significant votes from 2022:

Company Name	Date of Vote	% of Holding	Summary	OC Vote	Rationale	Outcome	Implications of the Outcome	Assessment of "Most Significant" Vote
Abiomed	10/08/2022	2.88%	Advisory Vote to Ratify Named Executive Officers' Compensation	AGAINST	The company made improvements following engagement and high levels of votes Against in prior years. However, details on LTI and STI was still vague, and the CEO continues to have an outsized compensation and relatively large severance. We expected more improvement which is why we continue to vote Against.	AGAINST	Continue voting against until a better compensation plan is proposed.	Compensation alignment with shareholders is crucial for the long-term performance of the company.
Ansys	12/05/2022	5.30%	Declassify the Board of Directors	FOR	A vote FOR this proposal is because the declassification would enhance board accountability. A staggered board can entrench management and effectively preclude most takeover bids or proxy contests.	FOR	Declassification would enhance board accountability and increase shareholder impact.	Continue to advocate for shareholder rights and support such shareholder proposals that prevent entrenchment by the board

Bio-Techne	27/10/2022	3.40%	Advisory Vote to Ratify Named Executive Officers' Compensation	AGAINST	We would like to see the inclusion of a returns-based performance metric such as ROIC/ ROI/ROA, for its LTIPS. This has not been achieved and the metrics remain the same across its long-term and short-term awards. Performance based awards and Time-based awards also sit at 50% / 50% weighting for short term and long-term awards which is suboptimal. As such we vote Against.	FOR	The board directly commented on our performance metric request in their proxy, and we will continue to engage on this topic.	Appropriate compensation is a key element for appropriate governance. If we deem thresholds are too simplistic it is our right as shareholders to try and remedy that.
Dexcom	19/05/2022	2.30%	Elect Jay S. Skyler	AGAINST	The board has been undergoing a refresh, but gender diversity remains below our 30% portfolio-level target. Additionally, average tenure on the board is 9 years with the director in question having been 20 years on the board. We encourage a more focused board refresh as the company is entering a professional scaling up.	FOR	We will continue engaging and voting on the topic of board refresh and diversity as we believe it is crucial for the company's future development and shareholder interests	This is significant because board refresh and diversity ensure appropriate oversight, independence, and improved governance.

<b>Illumina</b>	26/05/2022	4.10%	Advisory Vote to Ratify Named Executive Officers' Compensation	AGAINST	Amongst other reasons, the main reason we are voting AGAINST is due to the use of a single, absolute metric, as a performance metric for ILMN's LTIPS. This is currently only EPS. We believe there should at least be one more metric, such as a relative metric which could judge relative performance	FOR	Engage on executive compensation and the importance of additional performance metrics.	Executive Compensation. It is important for shareholder value to ensure that all employees (including the C suite) are remunerated appropriately
<b>MarketAxess</b>	08/06/2022	5.60%	Elect Director William F. Cruger, head of nomination committee	FOR	The company added an ethnically diverse director to the board, and now reached our minimum expectation of 30% woman and 1 ethnically diverse director.	FOR	We are pleased to see that our historical votes against the chair of the nomination committee and engagement with the board and management team have resulted in the addition of Mr. Li to the board.	Board diversity is an important target for us.
<b>Masimo</b>	26/05/2022	2.00%	Elect Craig Reynolds	AGAINST	The company has a sub-optimal board structure with staggered board of small size and long-tenured board members and insufficient gender and ethnic diversity.	FOR	We will continue to vote against until we see expected changes in the board and remuneration.	Robust governance and compensation structure are key for aligning shareholder interest with management's and ensuring adequate execution in the long term.

<b>Mettler Toledo</b>	05/05/2022	1.60%	Elect Thomas P. Salice	AGAINST	Gender diversity of the Board remains below our 30% threshold. Thomas P Salice is the Lead Director and Chair of the Nominating and Governance committee.	FOR	We acknowledge the positive progress made by the company but will continue to vote against until we see the company meet our thresholds.	Board gender diversity. We think a vote against appropriately signals a requirement to increase female representation on the board level.
<b>Tradeweb</b>	10/05/2022	5.50%	Adopt a Policy on Board Diversity	FOR	Board diversity and independence have been an engagement topic for us. While the company added two racially diverse directors, the company lacks gender diversity with one 1/10 directors being a woman.	AGAINST	We will continue to engage with the company on board diversity (and independence).	This shareholder proposal is not an annually returning proposal. While the company has taken steps to improve the board diversity following our engagement (with the addition of two ethnicity diverse directors), we think there is more work to be done.
<b>Veeva</b>	09/06/2022	2.30%	Elect Director Mary Lynne Hedley	AGAINST	The director is the incumbent chairperson of the nominating committee. As the board has less than 30% gender diversity, we vote Against.	FOR	Will continue engaging with the company to increase gender diversity within its board	We believe diversity within a board is of paramount importance