osmosis
INVESTMENT MANAGEMENT

Sustainability & Stewardship

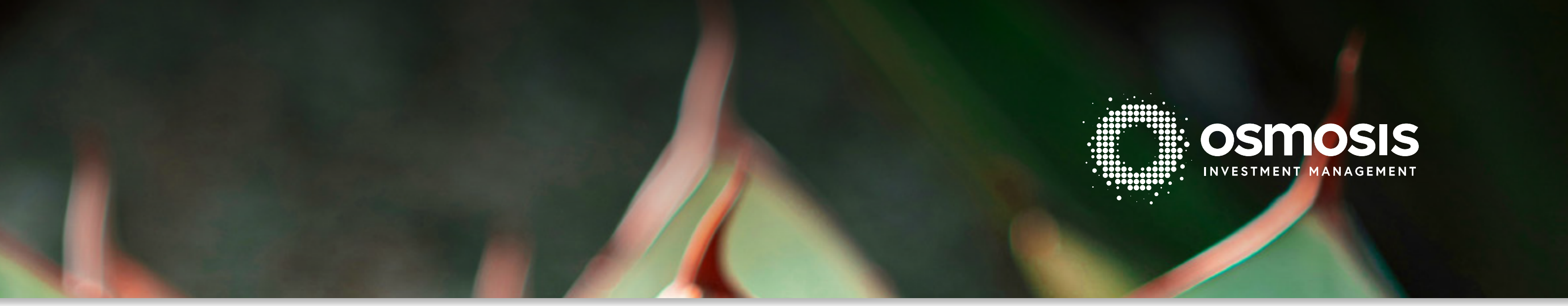
REPORT 2023

Contents

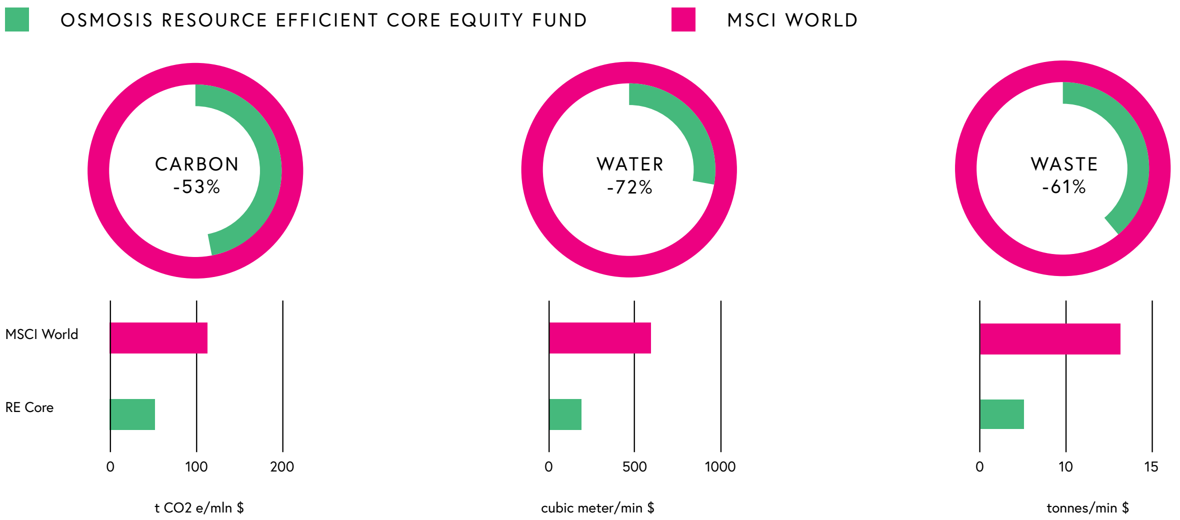
The Osmosis annual Stewardship Report for the year ended 31 December 2023 was reviewed and approved by the Osmosis ManCo, who consider it to be a complete and accurate report on how we have applied the principles of the Code over the period.

1. Introduction

Photo by Meritt Thomas on Unsplash



1.1 2023 in Review



Source: Osmosis IM, Bloomberg, MSCI. Data as at end December 2023.

684
SHAREHOLDER MEETINGS

PRI Principles for Responsible Investment 2023 Report
AWARDED TOP SCORES ACROSS EACH CATEGORY

97%
SHARES VOTED

$15bn**
SUSTAINABLE ASSETS UNDER MANAGEMENT

342
COMPANIES DIRECTLY ENGAGED

Environmental Finance Sustainable Investment Awards 2023 Winner Boutique investment manager of the year – Europe
BOUTIQUE INVESTMENT MANAGER OF THE YEAR

CDP DRIVING SUSTAINABLE ECONOMIES

THE GLOBAL COMPACT

ShareAction»

Climate Action 100+

* https://www.osmosisim.com/uk/2020/07/06/osmosis-receives-a-rating-from-un-pri-assessment/
** Osmosis Investment Management UK Ltd ("OIM UK") is an affiliate of Osmosis Investment Management US LLC ("OIM US"). Osmosis Investment Management AUM includes discretionary assets under management of OIM US and OIM UK and assets invested in model programs provided by OIM US and OIM UK.

Disclaimer: Osmosis received top ratings in the Principles of Responsible Investing (PRI) 2023 Assessment Report given on 22 December 2023 and corresponds to the annual reporting period of 1/1/2022 to 31/12/2022. This assessment is free for all PRI signatory members, however, all signatories are required to pay an annual membership fee. The Osmosis Core Equity Fund was awarded by Environmental Finance 2023 Boutique Manager of the Year (Europe). This award is free to applicants and open to all organisations globally and was given in June 2023, relating to the annual periods May 22 – May 23.

1.2 To Our Clients

When we launched Osmosis in 2009, with the financial crisis still very much in our minds, we believed there was an opportunity to change the way capital was utilised as a force for good. Our firm's philosophy is based on the principle that sustainable investment does not need to come at the cost of financial returns and that asset managers and allocators of capital shoulder the responsibility of delivering positive financial, environmental, and social outcomes on behalf of their investors.

Active ownership lies at the very heart of responsible investment management. I am therefore delighted to deliver this, our third annual Stewardship and Sustainability Report, which has been updated with new case studies and examples of how we have applied the code in the twelve months to December 2023. Over this period, we executed our voting rights across 10,774 issues, at 666 shareholder meetings and engaged with 342 companies to enhance their disclosures and encourage further transparency across their environmental balance sheets, an increase of 15% from 2022. We also increased our engagement participation in industry-wide campaigns and have worked as lead campaigners with the Carbon Disclosure Project (CDP).

This report also highlights several new initiatives and enhancements to our business over the year. Of particular note, we committed to broadening our corporate environmental research to cover Emerging Markets (EM). The perceived breadth, depth, and quality of environmental data in the EM has long been a barrier to those investors seeking to commit sustainable assets at scale to the region. Given the magnitude and intensity of environmental consumption in EM, led in part by decades of outsourced production from the developed markets, but as well by an over-reliance on fossil fuels, nascent waste regulations, and inadequate water infrastructure, we sought to prove that investors were holding misconceived perceptions regarding the data quality and availability. During the 18-month research program, we hired an additional three full-time analysts to meticulously comb through publicly available environmental data, test its veracity, contextualise it on a sector-by-sector basis, and replicate our tried and tested approach, formulated over the past 14 years in the developed markets.

Our EM research has enabled a rollout of educational seminars to investors around the globe, demonstrating the potential (through sample portfolios), to target better risk-adjusted returns in the region with significant environmental improvements – evidence we are confident could lead to a significant reallocation of capital towards those companies that are leading the transition to a more sustainable world economy. The environment is a global not a regional issue.

Over the period since the last report, we have seen our sustainable assets under management scale considerably, surpassing the $15 billion milestone at the end of December 2023, an increase of 70%. The firm attributes its significant asset growth to our focused and knowledgeable research team, a deep understanding of managing environmental risk in portfolio construction, and the maturing of fund and strategy track records. Over the period our strategies were on average 56% more carbon efficient, 62% more water efficient, and 68% more waste efficient than their benchmarks.

Asset growth was also buoyed by an exciting partnership with Nikko Asset Management to enable local distribution of our products and services in the Asia region. In tandem, we launched onshore investment vehicles in Australia as we continue to expand our global product offering. Closer to home we saw a substantial increase in assets allocated against our ex-fossil fuel investment strategy and established a new UCITS fund to offer this opportunity to a broader range of investors. We now have 45 clients in 12 countries.

As the business grows, I remain thankful to our ever-supportive shareholders and service providers, and our committed team, who have trusted in our mission from day one and continue to believe that we have much further to go. I look forward to the company having a louder voice in 2024, helping drive the change that is required, both from our industry peers and the companies in which we invest and by raising awareness of the economic opportunities and challenges associated with transitioning to a more sustainable world economy.

Please do not hesitate to get in touch if you would like more information on anything you read in this report, or to share your thoughts with us more broadly.

Best regards for 2024,

Ben Dear
CEO

1.3 Purpose, Strategy, and Culture

Founded in 2009 privately owned by employees and supported by Oxford Endowment Fund and Capricorn Investment Group

38 staff in UK and US

Global client base including pension funds, family offices and wealth funds

60-70% reduction in Carbon, Water and Waste, relative to benchmark

All portfolios are ex-tobacco and aligned with UN Global Compact Principles for social and governance safeguarding

$15bn* in total assets under management

* As of 31 December 2023 – Osmosis Investment Management UK Ltd ("OIM UK") is an affiliate of Osmosis Investment Management US LLC ("OIM US"). Osmosis Investment Management AUM includes discretionary assets under management of OIM US and OIM UK and assets invested in model programs provided by OIM US and OIM UK.

1.31 Our Purpose, Values and Culture

Osmosis was founded in 2009 to change the way capital is utilised as a force for positive environmental change. Our philosophy has always been that for sustainable investment to gain mainstream adoption, positive environmental impact should not come at the cost of portfolio performance.

Focusing on listed equities, our funds and strategies are focused on delivering three core levels of impact.

- Targeting better risk-adjusted returns for our clients
- Delivering an objective and measurable environmental impact through the reduction in ownership of Carbon, Water & Waste relative to respective benchmarks
- Leading an active engagement program to promote the disclosure of environmental data. We believe that a company that discloses its environmental footprint is more likely to manage, measure and reduce its impact.

Today, Osmosis is at the forefront of transitioning environmental data into traditional portfolio theory and construction. The firm's successful range of Resource Efficient investment portfolios has attracted a global client roster, including government pension funds, insurance companies, foundations, endowments, family offices and banks.

The firm remains majority-owned by its employees and directors. We believe this unites us in a dynamic culture that embraces progressive thinking and inspires the evolution of new ideas and innovation. We seek to recruit people who share our values so that, independent of compensation, they strive to deliver better returns for all our stakeholders, both financially and environmentally.

1.3 Purpose, Strategy, and Culture (cont'd)

Osmosis targets three pillars of impact

Superior risk-adjusted returns
Generated through the identification of Resource Efficient Companies

Environmental Impact
All our funds demonstrate tangible reductions in carbon, water, and waste intensity

Active Engagement
We engage with companies to promote transparent disclosure of environmental data

1.32 Serving our clients

To serve our clients' best interest, our products target three pillars of impact: superior risk-adjusted returns, environmental footprint reductions and active engagement.

In 2023, we believe Osmosis successfully implemented all three pillars across our client accounts. Our products have developed mature track records and our resource efficient investment approach continues to deliver a significantly reduced environmental footprint relative to the benchmark. Our flagship Core Equity Fund emitted 53% carbon saving, consumed 72% less water, and generated 61% less waste during the year.

Osmosis provides clients with updates which detail the success and efficacy of all three pillars on a quarterly basis. In this report, our focus will be on our active engagement pillar and the importance of our active ownership programme.

1.33 Investment Philosophy

Being a responsible investor lies at the heart of our investment philosophy.

Osmosis believes that to gain mainstream adoption, sustainable investment should not come at the cost of financial returns and that sustainability metrics, if quantifiable and objective in nature, can be applied to mainstream portfolios to generate alpha.

Climate change and pressure on natural resources, coupled with growing societal awareness, are drivers forcing corporates to implement sustainable production and business processes.

We believe that those companies that are more resource-efficient, having effectively monetised sustainability to the balance sheet, are more likely to outperform their peers over the long term.

Quite simply, doing MoRE with less should be rewarded.

1.3 Purpose, Strategy, and Culture (cont'd)

1.34 Resource Efficiency – A Sustainable Factor and Source of Uncorrelated Return

The team identified Resource Efficiency as a predictor of firm value and independent source of alpha through in-depth research and can corroborate our research with robust statistical evidence over time across economic sectors and geographic regions. The independent nature of Resource Efficiency as an investment signal allows us to build investment strategies within a risk-controlled framework accounting for common country, industry, and factor biases.

We firmly believe, as responsible asset managers, that integrating any ESG metric should not be done in the absence of risk awareness or an ability to enhance portfolio return. When integrated into a portfolio, we can account through detailed performance and risk attribution the impacts of integrating our Resource Efficiency factor into the portfolio. Building on this, our portfolios aim to provide higher risk-adjusted returns while delivering lower environmental footprints relative to the benchmark.

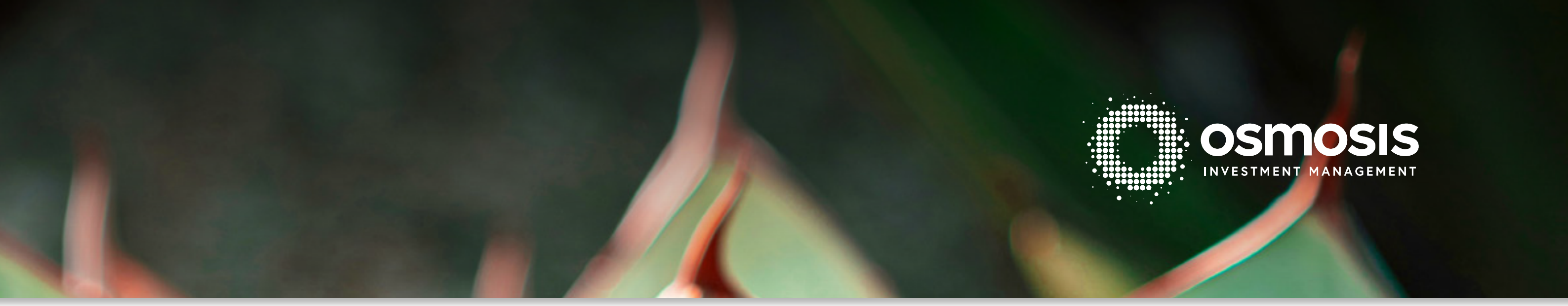
1.35 A Broad Economy Solution

To effectively address the climate crisis and environmental pollution, we believe all industries need to transition to form part of a greener economy. Our strategies target a just transition by taking responsible exposure to all sectors (ex-tobacco) and overweighting those efficient companies at the forefront of this transition while underweighting their inefficient peers. This whole economy approach enables a just economic transition and effectively deals with both supply and demand issues of natural resources in the broader economy. Measuring and managing the non-trivial use of environmental resources are also often proxies for the effective management of other hard financial metrics.

1.36 Significant Reductions in Three Environmental Metrics

Unlike one-dimensional carbon optimised portfolios, our multi environmental factor-based approach results in a significant reduction in environmental intensity. In all our portfolios relative to their benchmarks. Our flagship Core Equity Fund demonstrated a reduction in the ownership of carbon (-53%), water (-72%) and waste (-61%)*

*as of end December 2023



1.4 Our Approach to Stewardship

We recognise that our duty extends beyond being responsible investors to acting as responsible owners of the companies and assets in which we have invested, and active ownership is fully integrated into our investment process. We believe that, alongside capital allocation, engagement, active ownership, and stewardship are essential tools to help steer and influence the direction of company management. As stewards of our clients' capital, we seek to:

1.41 Promote Improved Disclosure

Our active engagement program seeks to promote greater environmental transparency, through more informed and robust disclosure and encourages companies and issuers to become more resource-efficient over time. Encouraging companies to develop more granular and robust sustainability reporting has been a long-term focus for Osmosis. Our research demonstrates that a company that discloses its environmental footprint is more likely to manage, measure and reduce its impact.

1.42 Work in Collaboration

We recognise the benefits of working with like-minded peers to advocate for change at a broader market level. Osmosis maintains active relations with key organisations in the responsible investment community. We were part of an early practitioners' group on the EU Taxonomy with the UN PRI (United Nations Principles of Responsible Investment), serving as an unofficial try-out of the new proposed EU regulation on sustainable investment. We were also part of GRI's (Global Reporting Initiative) technical expert group on waste, developing a new reporting standard for corporates. Additionally, Osmosis is a signatory of Climate Action 100+, and collaborates with the CDP (Carbon Disclosure Project) in regular non-disclosure campaigns, urging companies to disclose environmental data. Descriptions of our collaborative engagement work on these projects are stated in section 3.2.

1.43 Be Active Owners

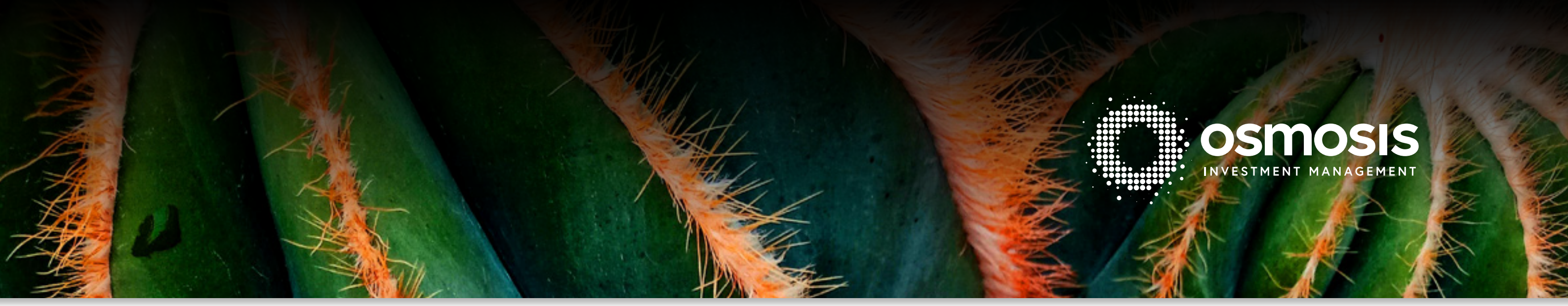
We operate a climate orientated voting policy across all our pooled funds. The policy utilises independent proxy advisory firm ISS to promote our sustainable climate ambitions and support best practices regarding all environmental, social and governance issues.

ISS' (Institutional Shareholder Services) specialty Climate Voting Policy is based on principles consistent with good stewardship that incorporate specific climate change relevant information, flags, and voting recommendations, which institutional investors can use to apply their views on a portfolio company's climate performance and disclosure. In the case of individual mandates, Osmosis works with investors, where desired, to ensure that their proxy voting strategies are enacted.

osmosis INVESTMENT MANAGEMENT

2. Investment Approach

Photo by Qaz Farid on Unsplash



2.1 Client and Beneficiary Needs

Our clients lie at the heart of our business and are central to how we develop our strategies, conduct our business and manage our internal operations. All our strategies are developed to consider our clients' stewardship, investment, and longer-term fiduciary needs. In building our strategies we were conscious of the importance of controlling for the active risk that environmental investing brings into portfolios. To protect the fiduciary duty of our clients and encourage a mainstream take up of sustainable investing, it is fundamental that environmental risk is managed correctly and not left unrewarded. We also wanted to build cost-effective portfolios, believing that to drive change at scale in the industry, we needed to price the products accordingly.

In a survey released in April 2023 by leading Cost Transparency Initiative (CTI) ClearGlass Analytics, the Osmosis Resource Efficient Core equity Fund was placed in the best quartile across every mandate for both ongoing charges and performance.*

* ClearGlass collected and compared data from 80 asset managers in Active Equity or Active ESG Equity Funds, for the annual period 2022. Osmosis received the Outcome Variance Analytics in April 2023. Osmosis did not pay to be included in the group of asset managers ClearGlass reviewed, however Osmosis provided compensation to ClearGlass to obtain the Outcome Variance Analytics and report.

Central to all our products are two objectives – to target better risk-adjusted returns, and to mitigate long-term environmental threats to portfolio performance and the planet. Using key resource efficiency indicators on the use of carbon and water and on the production of waste, all Osmosis strategies demonstrate significant reductions in resource intensity.

From a fiduciary perspective, resource efficiency is a medium to long term signal, and we consider a three to five-year investment horizon appropriate to meet the needs/expectations of our clients.

2.11 A Global Client Roster

Osmosis's environmental focus has attracted a global client roster that includes pension funds, insurance companies, foundations, family offices and banks. We manage a range of systematic funds and strategies and have considerable experience customising solutions for clients targeting different risk and style exposures.

As of the end of December 2023, Osmosis had over $15 billion** in sustainable assets under management. A breakdown is provided below.

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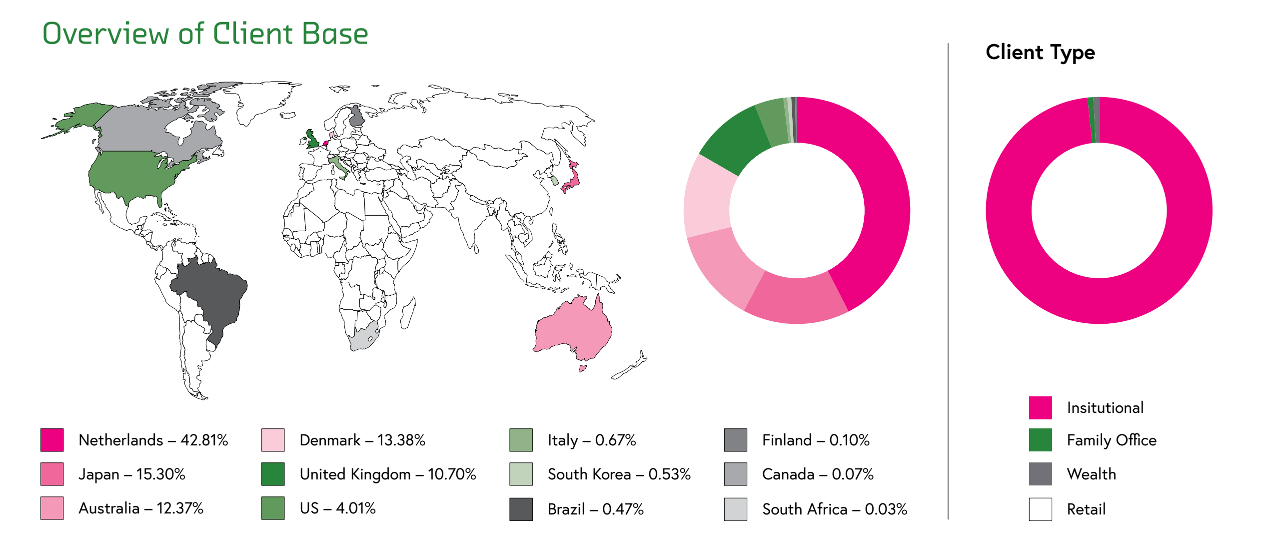


Source: Osmosis IM

2.1 Client and Beneficiary Needs (cont'd)

The Osmosis Resource Efficient (ex-fossil fuels) ICAV Fund** was launched in 2023 in collaboration with two leading university endowments.

Objective:

- To address the supply side of fossil fuels through divestment but also uniquely, the demand side through the targeting of Resource Efficient companies
- To mitigate potential value destruction as regulatory and financial pressures on the fossil fuel industry intensify
- To limit the economic impact of energy price rises amid increasing geo-political tension
- To reduce the environmental footprint of the portfolio.

Method:

- Quantitative Screen to remove companies that generate more than 5% of revenue from nuclear energy, nuclear weapons, controversial weapons, civilian firearms, tobacco, thermal coal, and oil sands
- Target maximum exposure to Osmosis' proprietary Resource Efficiency Factor to address concerns that fossil fuel divestment products simply underweight energy and overweight tech sector exposures
- Companies in the utilities sector which generate more than 50% of energy from renewable sources, are eligible for re-introduction if they also have a positive resource efficiency score. This allows investors to capture the value added by transitioning companies.

Outcome:

- Portfolio delivers significant reductions in ownership of Carbon (-65%), Water (-52%) and Waste (-61%) relative to the parent index
- By re-weighting the post-fossil fuel exclusion portfolio to resource efficient companies the Fund seeks to control and mitigate the industry bet that occurs through excluding fossil fuel-related companies.

** The Osmosis Resource Efficient (ex-fossil fuels) Fund is not available for US investors.

2.12 A Focus on ESG integration and Risk

Osmosis believes that the integration of sustainability into portfolio construction requires an in-depth understanding of a client's risk parameters as well as their different values and priorities. Osmosis collaborate with all our clients to integrate ESG considerations into their portfolio whilst maintaining traditional risk exposures aligned with the underlying client mandate. Examples include customised single stock exclusion, sector exclusion and faith-based exclusions. We recently worked with two university endowments to launch an ex-fossil fuels ICAV Fund. See case study above.

In addition, Osmosis can re-optimise customised ESG benchmarks to Resource Efficiency, allowing clients to clearly attribute their ESG benchmark performance relative to the traditional benchmark whilst also attributing the performance of the optimisation towards Resource Efficiency.

2.1 Client and Beneficiary Needs (cont'd)

2.13 Client Reporting

We believe that two-way communication with our clients, both seeking their views and reporting to them, is vital for our stewardship activity.

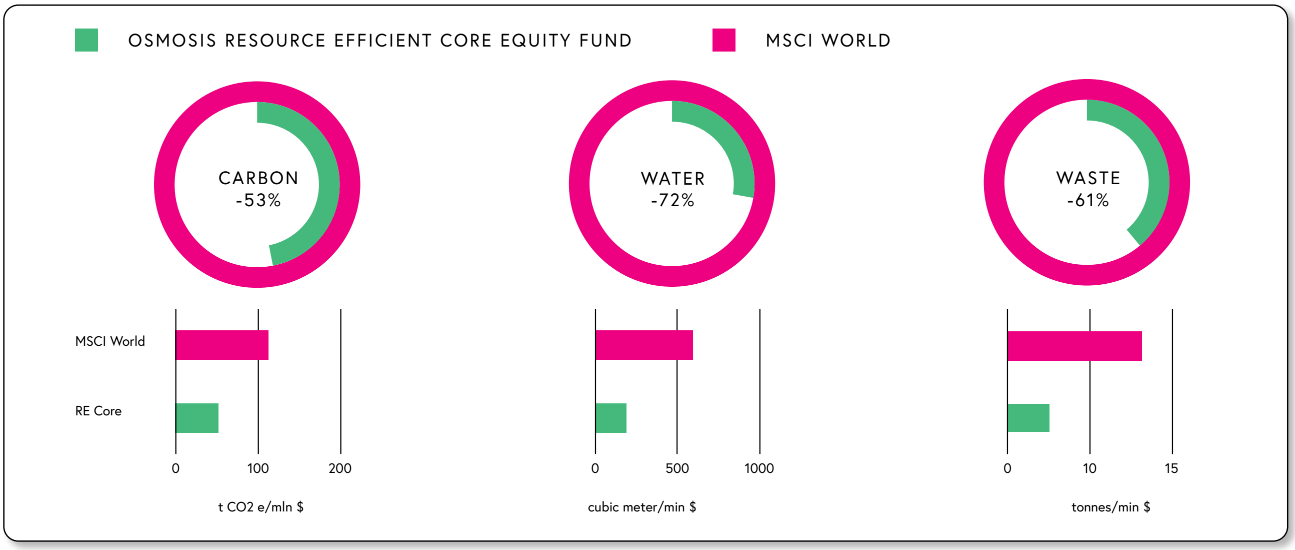
Osmosis collaborates with our clients to deliver bespoke reporting solutions and can incorporate detailed financial, environmental, and ethical considerations. Reporting frameworks, which consider the client's stewardship and investment policies, are agreed upon pre-activation of the mandate and can be further customised at a client's request.

Osmosis's client relationship management team comprises experienced client directors, each with regional expertise. Every client is allocated a dedicated client director who works towards forming a trusted partnership with them, alongside day-to-day handling enquiries and attending client review meetings with the portfolio managers.

Osmosis provides all our clients with monthly and quarterly reports covering the strategies' financial and non-financial performance. We produce detailed quarterly reports that provide comprehensive coverage of our voting and active ownership initiatives. Last year we updated our website to include monthly proxy voting updates, detailing the outcomes of Osmosis' climate focused voting policy.

2.14 Portfolio Foot Printing

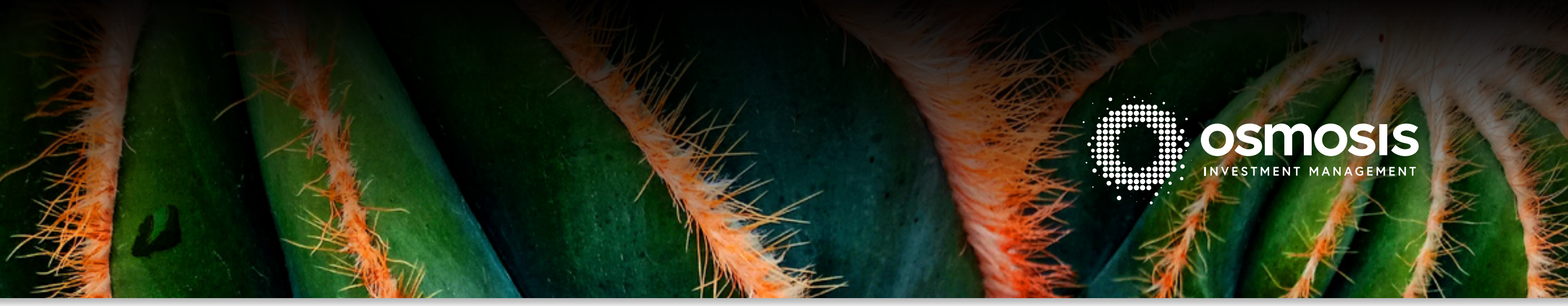
The Osmosis environmental database is updated monthly to account for different corporate reporting cycles and allows us to aggregate individual corporate impacts and environmentally footprint all our portfolios. By combining the individual environmental factor scores, balance sheet information, the financial balance sheet and portfolio holdings data, a total portfolio carbon, water and waste footprint can be calculated. Clients are sent this data monthly and can access it on our website.



Source: Osmosis IM, Bloomberg, MSCI. Data as at end December 2023.

2.15 Thought Leadership

Osmosis produces periodical thought pieces and case studies on themes that we have identified as useful and meaningful for our clients. We also hold webinars on current events or themes. For example, in 2023, we produced an influential white paper on the unintended consequences of incorporating estimated Scope 3 data into portfolio construction. Our findings were subsequently rolled out into a series of educational webinars. We also documented the findings of our year-long research project into the quantity and quality of environmental data in emerging economies. This included running a series of well attended webinars to update investors on the improving disclosure landscape. Please visit our website to see further examples of our thought leadership.



2.2 Stewardship, Investment and ESG Integration

2.21 The Environment is Integral to our Investment Approach

The integration of environmental factors into our investment process has been core to our approach since the firm's launch in 2009. As a firm, we are focused on the productive use of natural resources to generate greater economic value. We do not view Resource Efficiency independently of traditional financial criteria but as a complementary factor as we target maximum returns from the most sustainable companies in all economic sectors.

Osmosis' Model of Resource Efficiency covers the whole economy, both high-intensity and low-intensity sectors. We believe this encourages all sectors of the economy to adopt more climate resilient business models. We do not differentiate between regions. Similarly, our approach to stewardship does not differ across geographies.

2.22 Governance, Resources and Incentives

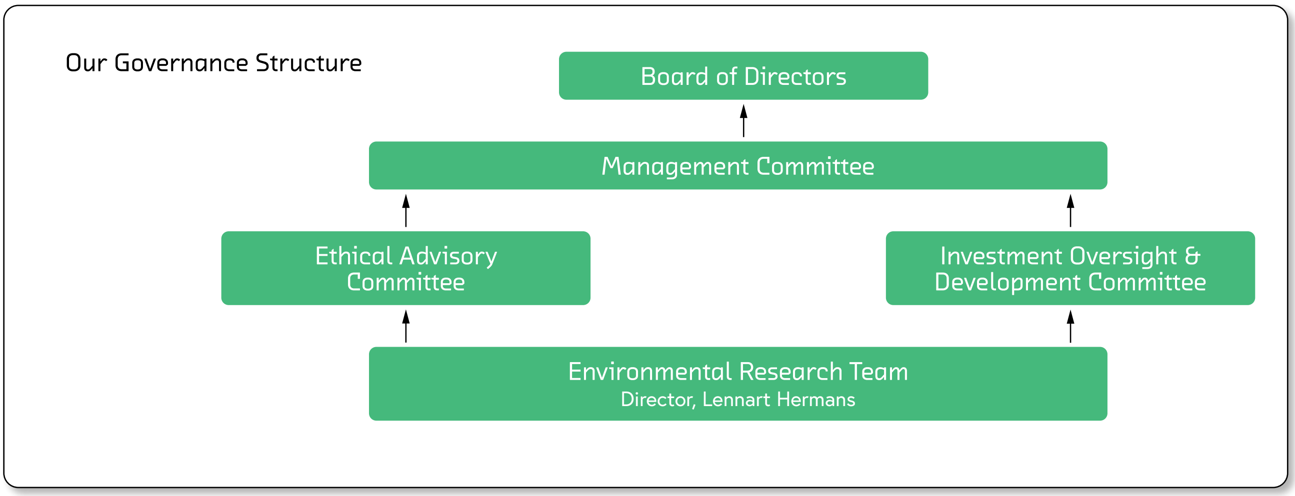
All stewardship activities are conducted by Osmosis's Environmental Research Team.

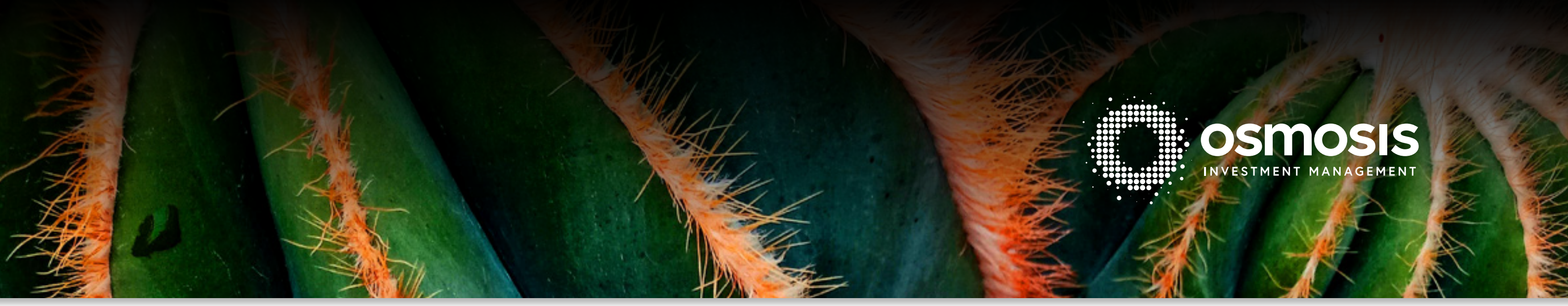
As a majority employee and director owned firm, we find it a point of pride that a belief in the central importance of environmental stewardship in the investment decision process is an important element of our hiring process. As a result of this combination, we have a team that, independent of compensation, is always inspired and motivated to deliver better financial and environmental returns for all stakeholders.

Environmental stewardship is embedded in our investment decision-making process through our proprietary quantitative model, the Model of Resource Efficiency (MoRE). This model is built, maintained, and utilised by our broader Investment Research team, headed by our CIO. The Environmental Research team, made up of experienced environmental specialists, leads the collection and assessment of the environmental data that feeds the MoRE model and oversees our active engagement projects and proxy voting.

Given that the integration of environmental data into the investment process is central to Osmosis' investment thesis, our stewardship activities fall under the same governance structure as our investment activities. The activities of the Investment Research Team are supervised by the Investment Oversight & Development Committee which is chaired by the CIO, and the Ethical Committee which is chaired by the Director of Environmental Research. These committees scrutinise and monitor how stewardship is built into our investment decision making.

We believe that this governance model is the most appropriate and effective structure for a firm of our size and focus. Osmosis is a small but growing firm, making improvements in governance a constantly evolving process. Osmosis' Management Committee (ManCo) bears responsibility for the governance structure, overseen by the Board of Directors. It is ManCo's role to oversee where improvements in the governance structure can be made both by mitigating foreseen risks and reacting to identified issues. In 2023, no issues arose regarding our governance structure; we therefore believe our approach is both effective and robust.





2.2 Stewardship, Investment and ESG Integration (cont'd)

2.23 Climate Change

Osmosis' approach focuses on environmental stewardship. Environmental data, namely carbon emissions, water consumption and waste generation, form the basis for our measurement of corporate Resource Efficiency and therefore drive the returns of our investment products. Resource Efficiency is directly linked to climate change from both a causal and impact perspective, i.e., Resource Efficient companies have a direct impact on reducing climate change through efficient use of carbon-based fuels, but also insulates companies from the effects of climate change by reducing their reliance on scarce natural resources.

While Osmosis primarily targets financial returns for investors through the identification of Resource Efficiency, we also aim for our portfolios to be aligned with the Paris 1.5-degree climate accord. The EU sustainable finance directive specifies that investment portfolios should demonstrate a 50% carbon reduction relative to a benchmark. Since Osmosis' long-only funds have carbon reductions of approximately 65% today, along with similar water and waste reduction, we are comfortably exceeding this target.

2.24 Good Stewardship Informs our Investment Universe

All our strategies exclude tobacco. In addition, we align our portfolios with the UN Global Compact Principles for social and governance safeguards. This means any company in breach of these principles will be automatically excluded from portfolio selection.

To be eligible for investment in our portfolios, companies must disclose at least two of the environmental metrics of Carbon, Water and Waste. We believe that companies that disclose, manage, and reduce their inputs are often better managed. Those that take a proactive economic approach to environmental and social issues tend to generate greater shareholder value.

Our belief in the importance of a firm's environmental footprint to its economic sustainability is also reflected in the proxy voting and engagement we undertake on behalf of our clients. Osmosis' Proxy Voting Policy seeks to actively manage and mitigate exposure to climate-related risks in portfolio companies, accurately reflecting Osmosis' belief in the long-term materiality of climate and environmental issues to shareholder value.

We work with all our clients to ensure their portfolios are run in accordance with their financial and non-financial investment guidelines. In addition to our in-house policies, we recognise the stewardship requirements of our clients are diverse, and that additional screens or exclusions may be required.

A regionally adjusted Osmosis Resource Efficient Core Equity Strategy was developed in collaboration with a large Japanese Pension Fund in June 2023.

Objective

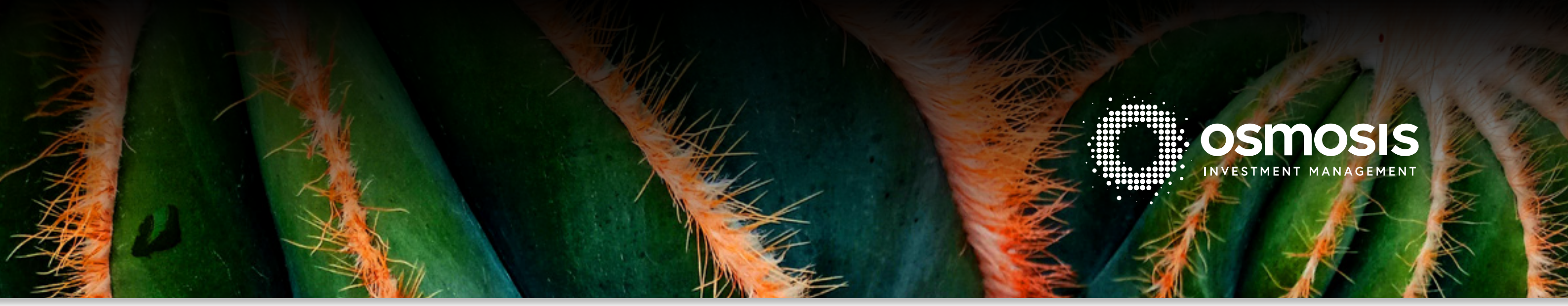
- To significantly reduce the environmental footprint of a global core passive equity exposure which integrates a client specific ESG exclusion policy.

Method:

- Manage the active risk through targeting maximum exposure to the Osmosis proprietary Resource Efficiency Factor while replicating the style, industry, currency, and risk exposures of the custom client benchmark.
- Add additional social and governance screens to remove companies on our client's exclusion list and to align with Osmosis' in-house exclusions which include tobacco and companies that are in breach of UN Global Compact Principles.

Outcome:

- The portfolio closely replicates the risk characteristics of the benchmark while delivering significant reductions in ownership of Carbon, Water and Waste.



2.2 Stewardship, Investment and ESG Integration (cont'd)

2.25 Our Investment Thesis

Corporate sustainability performance is neither well understood nor efficiently priced by markets. Our research shows that Resource Efficiency can be used to target excess returns while having a low correlation to other common factors.

Osmosis targets excess returns through the identification of Resource Efficiency in listed companies. We define Resource Efficiency as the carbon emitted, waste generated, and water consumed relative to value creation.

Therefore, resource-efficient companies are those that most efficiently use fewer resources than their same sector peers to create economic value. Our long-only strategies overweight efficient and underweight inefficient companies as identified by the Osmosis Model of Resource Efficiency (MoRE). Osmosis also runs a Market Neutral Fund, which takes long exposure to efficient companies and short exposure to inefficient companies.

2.26 The Model of Resource Efficiency (MoRE)

Osmosis pioneered a unique research process to standardise unstructured corporate environmental data, enabling the construction of our proprietary sustainable investment factor.

Utilising publicly disclosed corporate environmental data from 2005 onwards, our in-house research team standardises carbon, water, and waste data to sector-specific frameworks. Our stock-specific resource efficiency factor score provides context and relative comparability to the environmental balance sheets of companies within 34 sectors. We believe this three-factor model delivers a comprehensive approach to environmental investment.

> "We evaluate a company on its sustainable actions rather than its intentions. We believe that those companies that are more efficient will outperform their sector peers over the long term."

Our environmental database is updated monthly to account for different corporate reporting cycles. This proprietary database allows us to aggregate individual corporate impacts and environmentally footprint of the entire portfolio. By combining the individual environmental factor scores, balance sheet information, the financial balance sheet and portfolio holdings data, a total portfolio carbon, water and waste footprint can be calculated.

2.2 Stewardship, Investment and ESG Integration (cont'd)

2.27 Enhancements to the Model in 2023

Osmosis continues to enhance and improve the efficacy of its proprietary Model of Resource Efficiency.

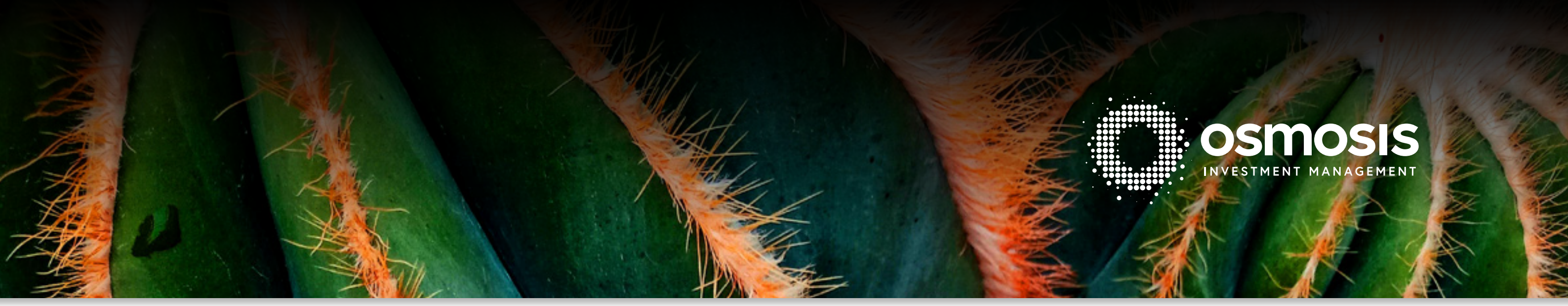
During 2023, our research team expanded the use of quantitative techniques to translate the fundamental rationale behind Osmosis' proprietary sectors into a sector classification assignment and monitoring tool. The aim was to continually improve the re-classification of companies across 34 sectors for the relative comparison of their environmental balance sheets over time and as companies' processes evolve. The Osmosis sector classification tool enables us to create company peer groups that correctly compare the operational efficiency of companies that engage in similar activities. This is reflected in the company's resource efficiency score which underpins all our investment decisions.

For example, Home Builders (such as Taylor Wimpey, Persimmon, D.R. Horton) are classified by GICS into the sectors 'Consumer Discretionary' and 'Household Durables'. This classification would encourage the comparison of these companies to the likes of Panasonic Holdings and Sony Group whose environmental balance sheets differ significantly. At Osmosis, we compare companies that have similar operational activities and we reclassified the Home Builders into our Construction & Materials sector enabling us to better identify a resource efficient investment signal.

2023 also marked the completion of an extensive research project into corporate environmental data in Emerging Markets. During the project, the team acquired more than double the number of carbon data points in the emerging markets as some well-known third-party data providers. We are also confident that our extensive water and waste data points give us a leading edge compared to the peer group, especially given the tendency of companies and investors to overlook this data due to a focus on carbon reporting. Having sourced, scrutinised, and verified all our data from publicly available company reports, with no reliance on third-party or estimated data, we are confident that the data points are objective and trustworthy. In line with our existing research in the developed markets, the Osmosis team prioritised engagement with management teams to ensure a comprehensive understanding of how environmental data interacts with a particular company's business models.

Osmosis was surprised by the strikingly high quality, comparability, and rates of environmental reporting in the EM. The increasing use of globally recognised frameworks like GRI, SASB, and TCFD throughout EM regions is a likely contributor. Many local regulatory bodies and stock exchanges in key EM jurisdictions mandate entities to report in line with these frameworks, often at a rate that is more advanced than we see in the developed markets.

Based on its findings, Osmosis has been able to prove out a sustainable factor in the EM, just as it did over 10 years ago in the DM space. We will launch an EM product suite in the second half of 2024 having secured initial seed from an institutional investor.



2.2 Stewardship, Investment and ESG Integration (cont'd)

Investment Universe (MSCI World Index)	Environmental Data Collection	Data Standardisation	Calculate Resource Efficiency Score	Portfolio Construction
• Exclude financials, tobacco & companies in breach of UN Global Compact* • Classify companies into one of 32 Osmosis economic sectors ↓ **~1200 Companies**	• Identify companies that disclose carbon, water and waste data • Data validation and statistical checks • Engage with companies for further verification ↓ **~700 Companies**	• Create environmental economic framework across sectors • Analyse, adjust and refine carbon, water and waste data disclosures to extrapolate the productive use of resource within direct control of company management	• Calculate resource intensity for each of the three factors • Combine to form a resource efficiency score for each company • Create resource efficiency dispersions across 34 Osmosis economic sectors	Maximise RE controlling for • Country • Currency • Industry • Style • Size • Stock Cap • Turnover • Total/active risk

→ Portfolio

* for social and governance safeguarding

2.28 Environmental Outcomes

All our portfolios target superior risk-adjusted returns and greater environmental benefit, mitigating long-term threats to portfolio performance and the planet. The Resource Efficiency Signal significantly reduces the resource footprint of all our portfolios relative to their benchmarks. The savings for our flagship Core Equity Fund at the end of December 2023 are shown below.

> "We are confident that through our academic and quantitative approach to sustainable investment, we can offer investors the enhanced financial returns required to meet long term fiduciary responsibility combined with the environmental savings required to positively impact climate change and address the longer-term pressure on natural resources."
>
> **Ben Dear, CEO**

-53% Carbon

C02e emissions Per Unit of Revenue VS. MSCI World Index

-72% Water

Water Consumption Per Unit of Revenue VS. MSCI World Index

-61% Waste

Per Unit of Revenue VS. MSCI World Index

3. Active Ownership & Stewardship

Photo by Anthony Lopez on Unsplash

3.0 Active Ownership & Stewardship

At Osmosis, we work tirelessly to fulfil our stewardship responsibilities and aim to maximise overall long-term value, as well as consider our impact on our economic, social, and environmental systems. Our investment and environmental research teams bring with them a variety of skills and experience to ensure our stewardship activities are effective. The environmental research team, which carries out the majority of our stewardship activities, has members with a range of educational and professional backgrounds, such as environmental engineering, environmental technology, climate science, biodiversity, policy work, and climate-related disclosure, equipping us to advocate for these issues on a company and case-by-case basis. The environmental team is incentivised to perform our stewardship responsibilities as active ownership is central to our investment model.

3.1 Engagement

At Osmosis, active engagement serves as one of the three core pillars of our investment philosophy. As a sustainable investment manager, we believe we have a duty that extends beyond delivering financial outcomes for our clients. We therefore actively work to promote sustainable corporate practices and well-functioning markets, and engagement is one of the key methods we employ to achieve this goal.

Our engagement aims are largely twofold: firstly, we aim to improve the accuracy and availability of corporate environmental disclosure; secondly, we strive to encourage entities to implement strategies that will help them achieve enhanced resource efficiency and sustainability.

Engagement allows us to:

- Foster dialogue and relationships with various stakeholders on key ESG issues
- Enhance the efficacy of our internal research and Model of Resource Efficiency (MoRE)
- Promote improved climate-related disclosure and provide corporations with the tools to measure, manage, and reduce their environmental footprint
- Promote our clients' and target companies' climate ambitions and support best practices regarding all ESG issues.

At the heart of Osmosis' investment approach lies the integration of corporate environmental performance indicators – carbon emissions, water consumption, and waste generation. The improvement of publicly available environmental data therefore serves as a cornerstone for refining our investment model and in turn enhances the effectiveness of these environmental indicators. During our initial research stages, our team of dedicated and experienced environmental analysts scrutinise reported data and engage with entities on any heterogeneous data points. Any companies that do not fit sector or company trends become a part of active ongoing engagement. To maintain the accuracy and integrity of the firm's investment model, any data points will be excluded from the database if a good explanation is not found during the engagement process.

3.1 Engagement (cont'd)

We find that companies targeted as part of our active engagement efforts are largely receptive to our suggestions on how to improve their environmental disclosure. This is illustrated in some of our emerging market case studies below, which highlight how target entities often inform us that they will incorporate our recommendations into future reporting. Once a relationship has been established, we encourage companies to reach out to Osmosis for further guidance.

We actively engage with companies within our target group that are not disclosing (sufficient) environmental data. Through ongoing non-disclosure campaigns and targeted outreach initiatives, we emphasise the importance of environmental data and reporting. We explain the potential consequences of failing to disclose environmental data, underscoring its impact on stakeholders and the broader environment.

In recent years, we have found that corporate environmental disclosure is rapidly improving in both amount and accuracy, largely due to the increased use of globally recognised frameworks and standards such as the International Sustainability Standards Board (ISSB), Sustainability Accounting Standards Board (SASB), Global Reporting Initiative, and the Task Force on Climate-Related Financial Disclosure (TCFD). When engaging with companies on their environmental disclosure, we encourage the use of these internationally recognised frameworks to ensure accuracy and uniformity.

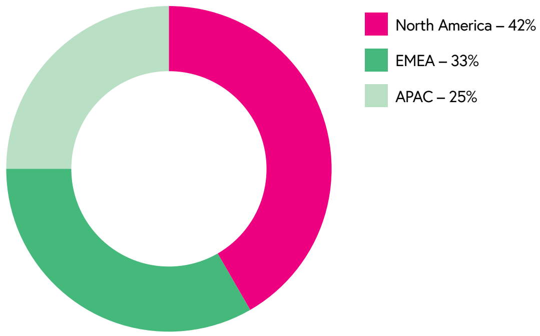
We believe that a company that discloses its environmental footprint is more likely to measure, manage, and reduce its impact. Whilst environmental disclosure is the primary focus of engagement at Osmosis, we also engage on specific themes to better understand companies' environmental practices and encourage strategies that improve environmental performance and resource efficiency. Examples of engagement on broader environmental performance are illustrated as case studies below. These include but are not limited to, our engagement with mining companies on biodiversity, real estate investment trusts on their environmental impact, and encouraging oil and gas companies to establish more ambitious pathways to Net Zero.

3.1 Engagement (cont'd)

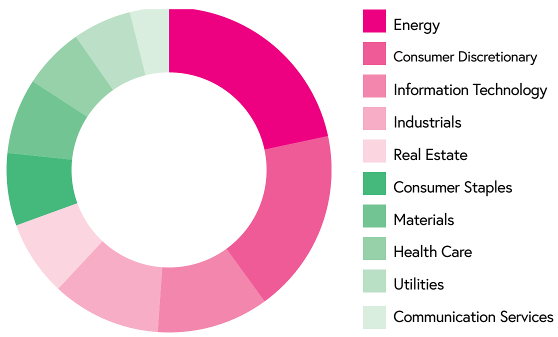
Osmosis is continuously developing its engagement strategy. In 2023, our environmental team engaged with a total of 342 individual companies, outside the realm of our collaborative engagement strategies discussed in section 3.2 of this report. Of this, 239 of our target engagement companies were from the developed markets (DM) and 103 were from the emerging markets (EM). At the beginning of 2023, Osmosis launched a 16-month research project into corporate environmental data in EM, which included hiring a dedicated team of analysts to collect, interrogate, clean, and standardise publicly available carbon, water, and waste data on a sector-by-sector basis across the whole economy. Osmosis plans to launch an EM product suite in the second half of 2024.

Our engagement processes encompass all entities in our target universe, meaning we do not run our engagement processes on a fund or product level. Throughout 2023, we initiated dialogue across companies spanning all GICS sectors except financials. The highest number of engagements were with companies in the energy, consumer discretionary, and information technology sectors. In 2023 we engaged with entities from 37 countries and notably, the United States and China emerged as focal points for our engagement efforts, reflecting their prominence within their respective developed and emerging market indexes.

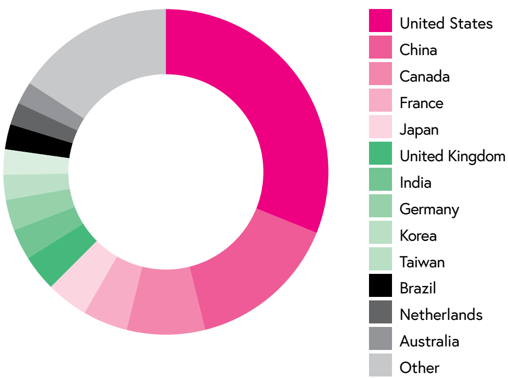
Regional spread of engagement efforts



Sectoral spread of engagement efforts



Geographical spread of engagement efforts



3.1 Engagement (cont'd)

3.11 Developed Market Engagement

Case Study: Biodiversity in Mining

Issue: Mining companies have a significant impact on biodiversity, primarily through land-use change. As we are an environmentally focused quantitative investment manager, we wanted to investigate what strategies these entities are employing to manage their impact on biodiversity and whether biodiversity impacts are quantifiable by mining companies' land-use change disclosure.

Outcomes and next steps: Out of eight mining companies we contacted, three companies replied and organised meetings. These meetings showed that land-use is a very subjective metric, as the definitions vary between companies. The companies further highlighted the importance of their rehabilitation programmes in their biodiversity management. From these calls, we concluded that there are significant complexities with using land use as an indicator of resource use and environmental impact and we will be looking at other metrics moving forward to try to capture the negative impact of mining companies on biodiversity.

Case Study: Real Estate Investment Trusts

Issue: Real Estate Investment Trust (REITS) companies are increasingly disclosing in-depth carbon, water, and waste data. Our analysts decided to further research these companies' environmental impact to gauge whether these performance indicators accurately reflect their resource efficiency. This was unclear before the research and engagement as resource intensity is often presumed to be largely determined by the resource use of the companies leasing the space rather than the REITs themselves.

Outcomes and next steps: We organised calls with two sustainability teams at REITs we identified as being Resource Efficient. One company mentioned that resource efficiency was important for attracting clients and that they saw value in environmentally conscious buildings. The other company explained that resource efficiency helped them seek out green bonds and other more sustainable means of financing. These two meetings highlighted the increasing importance of resource efficiency in REITs and informed Osmosis' project which is now in the late stages of completion.

3.1 Engagement (cont'd)

Case Study: Oxford Martin Principles engagement with the oil & gas industry

Issue: The Oxford Martin Principles describe a framework for climate-conscious engagement with highly polluting sectors. The principles focus on establishing a commitment to net-zero emissions, a business plan to move to a profitable net-zero business model, and quantitative medium-term targets for decarbonisation.

Initiative and role: In 2022, Osmosis was asked by one of our clients to utilise the principles to guide engagement with firms in our investment universe associated with oil & gas production, transportation, service provision, refining, and marketing. Following a first round of engagement in 2022, targeting 48 companies, we sought to repeat the format in 2023 to understand how decarbonisation plans have changed. In 2023, we targeted 40 companies for engagement.

Outcomes and next steps: We received a 49% response rate to these letters and held several follow-up calls to request more information. We made two key conclusions from this engagement. First, although progress is being made towards decarbonisation targets, 'brown-spinning' is an issue for many companies, whereby they divest their carbon-intensive assets by selling them. Second, we found companies to be positioning themselves into three general strategies, ready for the coming decade of transition: i) 'energy companies' that are expanding renewables capacity; ii) 'transition players', those focusing on provision of lower carbon fossil fuels; and iii) 'fossil fuel expanders', those that are committed to expanding fossil fuel supply, perhaps alongside Carbon Capture, Utilisation and Storage (CCUS) provision. We are working to understand how these categorisations could feed into our investment and active ownership strategies.

Case Study: Reporting boundary

Issue: Company A, a German pharmaceutical company, has a complex company structure. One of its business lines is separately listed, and also included within our target universe. They produce only one sustainability report. To ensure that we capture each company's resource efficiency accurately, we engaged with the management team.

Outcomes and next steps: We joined a call with- the company where we discussed their corporate structure, and how to best capture their resource efficiency within our model. Following subsequent internal discussions, we were able to more accurately implement the company's data into our model.

3.1 Engagement (cont'd)

Case Study: Scope 3 "franchise" emissions

Issue: Osmosis' Model of Resource Efficiency focuses on the operational natural resource use of companies, assessing only the resource use that is under the control of management. The definition of what is under management control can vary between companies. Over the last year, we have undertaken a research project, to gain a more in depth understanding of the control management teams have over franchises linked to their business model, resource use which normally would fall under Scope 3. We've identified companies that rely on franchises and contacted 12 entities to understand their position.

Outcomes and next steps: Of these 12, we unfortunately only received a response from one entity, Company B. Company B explained that it primarily directs its attention to addressing its Scope 1 and 2 emissions, and only examines Scope 3 emissions where it holds substantial influence and control. As Company B only has a small number of franchises, the entity believes they contribute too small a proportion of their total emissions to make a significant impact. Due to our low response rate, this engagement effort has continued into 2024.

3.12 Emerging Market Engagement

Case Study: Unit Errors

Issue: Company A, a large Chinese dairy company, reported its water consumption in its 2022 Sustainability report. The value of water consumed was very high when compared to its sector peers. We suspected an error with the reported water consumption definition and believed that the company may have instead meant water withdrawal. This distinction is significant as water withdrawal values are often considerably higher than water consumption values, which account for water discharge. We engaged with the company to clarify how it defined water consumption.

Outcomes and next steps: The company wrote back swiftly to confirm that the figure they had disclosed as water consumption did in fact correspond to water withdrawal data. Further, the company said that they would adopt our suggested definition that aligns with SASB and GRI suggested reporting in their 2023 Sustainability reporting.

Case Study: Organisational Boundaries and Reporting Approach

Issue: Company B, a large Brazilian energy company, did not disclose the approach it used for quantifying its subsidiary's emissions. Our team engaged with the company on this issue to gain a clearer understanding of how the company's environmental and organisational boundaries align with its financial reporting boundaries.

Outcomes and next steps: The sustainability team responded with clarification on how they disclose their environmental data based on their consolidated financial results. The team uses a control-based approach, as per one of the calculation methods provided by the Greenhouse Gas Protocol. This clarification was key in gaining trust in the entity's greenhouse gas performance disclosure.

3.1 Engagement (cont'd)

Case Study: Year-on-year resource consumption change

Issue: In its 2022 Integrated Report, Company C, a significant player in industrial transportation, disclosed their water data. However, notable inconsistencies arose compared to its previous report. The company reported total consumption in million cubic meters while withdrawals by source were noted in megalitres. Our analysts identified this data as potentially inaccurate, as a million cubic meter is a thousand times larger than a megalitre. We engaged with the entity to confirm the correct units for their water disclosure.

Outcomes and next steps: The company confirmed that there was a mistake in the unit of measurement reported, which will be rectified in the next edition of the report. It provided the correct value and unit for its water disclosure.

Case Study: Reporting Error

Issue: Company D, an Indian Electronic and Electrical Equipment company disclosed its waste data in its 2022-2023 Sustainability report. However, our analysts noticed a potential reporting error as there were two different values for both non-hazardous and hazardous waste generated. We engaged with the entity to confirm which value was correct.

Outcomes and next steps: The entity confirmed that there was a mismatch between the waste values in their reporting and that it was in the process of fixing it. It also informed us of the correct figures which were then added to our database.

3.2 Collaboration

Osmosis recognises that collaborative engagement with like-minded investors and stakeholders can amplify our voice and increase our impact. In 2023, we therefore worked as part of a coalition of wider stakeholders to engage with various stakeholders and improve industry practices, in line with the UN's Sustainable Development Goals. Similar to our engagement priorities, our collaborative efforts were centred around calls for improved environmental disclosure and performance.

Case Study: CDP'S Annual Non-Disclosure Campaign

Initiative and Role: Our investment approach is fully based on objective, measurable, and self-reported environmental data. CDP is a nonprofit charity that runs global disclosure systems for various stakeholders to manage their environmental impacts and focuses on emissions, water, and forestry. In 2023, Osmosis was one of 318 financial institutions, representing USD 37 trillion in assets, which led the non-disclosure campaign, an increase of almost 30% from 2022.

Osmosis engaged with three companies as part of the CDP campaign. During this process, our environmental team emphasised the benefits of disclosing information to CDP, the importance of reporting climate and water, and the relevance for investors in accessing this data.

Outcomes and next steps: Overall, the final results of the 2023 CDP non-disclosure campaign were positive, with a nearly 15% growth in disclosing companies compared to 2022. Moreover, Osmosis' engagements were successful in 2023, achieving a 100% disclosure rate from our targeted companies in response to the CDP's climate change questionnaire. This stands out significantly when compared to the overall campaign average of only 20% disclosure for the same questionnaire. We were, however, unsuccessful with our water engagement, as neither of the two companies completed the CDP questionnaire. We will be joining this campaign again in 2024.

Case Study: Science-Based Targets Campaign

Issue: The Science-Based Targets (SBTs) Campaign offers an investor the opportunity to play a key role in accelerating the adoption of science-based climate targets in the corporate sector through collaborative engagement. SBTs are GHG emission reduction targets that are consistent with the level of decarbonisation that, according to climate science, is required to keep global temperature increase within 1.5C compared to pre-industrial temperature levels. The 2023-24 campaign has nearly doubled from the previous year, with a target list of 2,100 high-impact companies and 367 supporters.

Initiative and role: Osmosis was one of 367 institutions to join this on-going campaign, an increase of 33% from the previous year. The 2023/24 campaign targets 2,100 companies with a total market cap of $28 trillion, that contribute 84 GT total GHG emissions and cover 32% of the MSCI ACWI.

Outcomes and next steps: Following the campaign launch, CDP's global corporate engagement team actively engaged the target companies to inform, educate, and support them in setting SBTs. Since 2020 the campaign has helped drive over 470 high-impact companies to join the science-based target initiative, with 99 companies joining in the 2022/2023 cycle. We expect these numbers to increase this year as the campaign continues.

3.2 Collaboration (cont'd)

Case Study: Climate Action 100+

Issue: Climate Action 100+ is a voluntary initiative that brings together – and builds on – several pre-existing, investor-led engagement initiatives operating in different regions of the world. In signing up to Climate Action 100+, investors commit to engaging with at least one of 170 focus companies, representing over $10.3 trillion in market capitalisation and that are strategically important to the net-zero emissions transition, to seek commitments on the initiative's key asks:

- Implement a strong governance framework on climate change
- Take action to reduce greenhouse gas emissions across the value chain
- Provide enhanced corporate disclosure

Initiative and role: Osmosis has been part of this initiative in a supporting role for several years. The engagement of investors is assisted by five investor networks from various parts of the world: the Asia Investor Group on Climate Change (AIGCC), Ceres, the Investor Group on Climate Change (IGCC), and the Principles for Responsible Investment (PRI). There are currently 700 signatories across 33 markets.

Outcomes and next steps: Throughout the year, investors across the initiative engaged companies on critical actions around short, medium and long-term emissions targets, corporate lobbying disclosure, and board climate competence. The progress being achieved by investors through Climate Action 100+ is emblematic of how times have changed and reinforces the vital role of large investors in addressing climate change as a financial risk. The initiative resonated across global financial media markets. Influential finance and business media outlets worldwide, including the Financial Times, Reuters, Bloomberg, Wall Street Journal, Forbes, and the Sydney Morning Herald, have covered the initiative's key achievements and successes.

3.3 Escalation

We aim to engage constructively, hoping to shift corporate behaviour in line with our philosophy and investment approach. Our engagement activities are always initiated as an open dialogue with target organisations and institutions; however, we do apply escalation techniques if an entity fails to meet our disclosure requests or to improve its environmental or other sustainability practices. Ultimately, failing to meet these improvements will lead to underweight or short positions within our portfolios or even exclusions.

In specific cases where first stage engagement discussions have not yielded results, we will further escalate the engagement process through the following measures:

- Writing to, or meeting with, the company to emphasise our concerns
- Collaborating with like-minded investors to push for change
- Voting against the election of board members or voting for certain shareholder proposals
- Exclusion, underweighting, divestment
- In extremis, filing shareholder

Case Study: Upcoming Non-disclosure+ Campaign

Issue: At Osmosis, we require entities to disclose at least two of our three environmental performance indicators – carbon, water, and waste – to receive a resource efficiency score. While environmental disclosure has been rapidly improving in recent years, some of the largest companies globally still do not disclose adequately enough to receive a resource efficiency score, largely attributed to weak water usage and waste generation reporting.

Initiative and Role: Annually, Osmosis targets companies that we consider to be 'non disclosers' through letter writing campaigns. In 2023 we started formulating a bespoke strategy to improve the effectiveness of the campaign, which targets the largest non-disclosing companies of the MSCI World Index. The enhanced campaign will feature client collaboration. By joining forces with our clients, many of whom are large institutions at the forefront of the transition to a more sustainable allocation of capital, we seek to make significant strides in tackling non and partial environmental disclosure. The campaign includes an escalation approach which we will enact if the target companies' management are not receptive. Whilst this project was initiated in the late stages of 2023, it will be launched in 2024.

It is important to note that whilst Osmosis is an environmentally focused firm, even environmental leaders and resource-efficient firms will face exclusion from our portfolios if they breach certain social or governance minimum safeguards. To assess this, we exclude companies if they breach the United Nations Global Compact (UNGC) Principles, which cover a range of environmental, social, and governance topics.

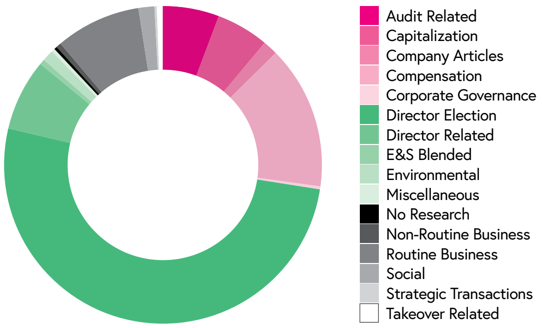
Case Study: United Nations Global Compact Exclusion

Issue: Company E, a Canadian mining company, was excluded from Osmosis' portfolios due to its failure to adhere to the social principles set forward by the UNGC concerning two alleged human rights violations at some of its mines. Osmosis reaches out to all the companies excluded from our portfolios through these principles and tries to encourage a resolution to the underlying issues. Since our last report, the company made changes to its business model and is now deemed to no longer breach the UNGC principles. The company has been removed from our exclusion lists and is back in the investment pool.

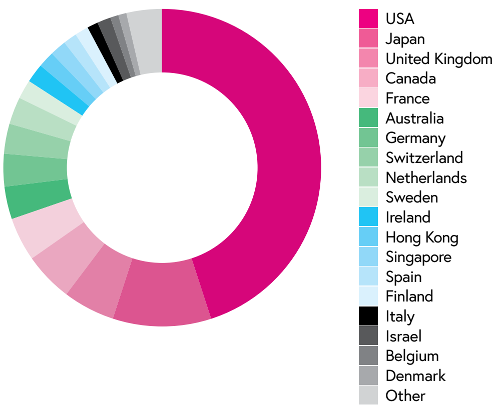
Outcomes and next steps: Osmosis consistently screens our investment universe for breaches against the UNGC principles and excludes any company that does not adhere to these principles from all our portfolios.

3.4 Exercising Rights and Responsibilities

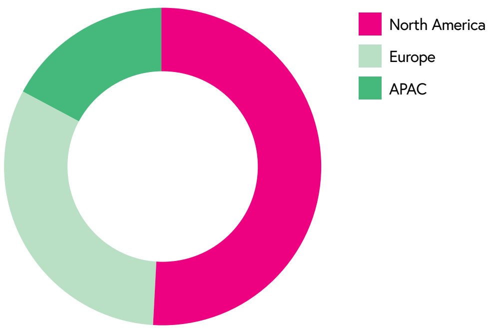
Proposal Categories



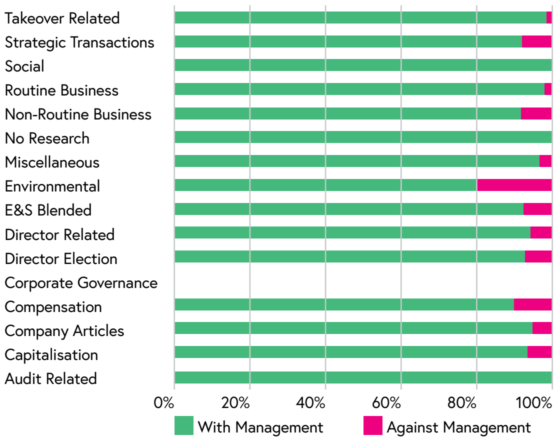
Meeting Countries



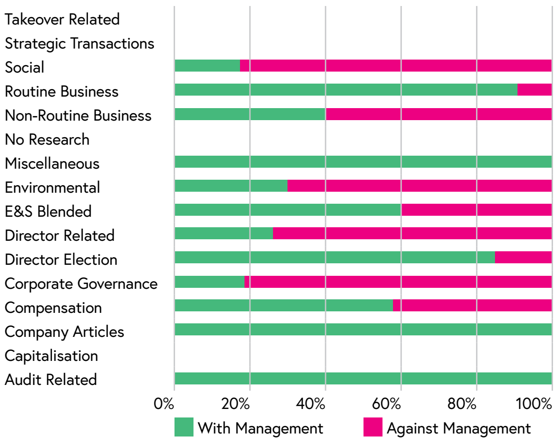
Meeting Regions



Management Proposals



Share Holders Proposals



Votable Meetings	684
Meetings Voted	666
Meetings with Against Management Votes	331
Proportion of Shared Votes	96.5%*

* Osmosis does not vote in share-blocking markets. Voting data includes securities in Osmosis Investment Management US LLC and Osmosis Investment Management UK Ltd vehicles.

3.4 Exercising Rights and Responsibilities (cont'd)

Osmosis actively collaborates with our clients to provide them with the best possible strategy with regards to proxy voting. For clients with bespoke proxy voting guidelines, we tailor our approach to apply their voting preferences to their specific investments and support clients who prefer to manage proxy voting themselves.

Across all our pooled funds, Osmosis operates a climate orientated voting strategy, using the Institutional Shareholder Services' (ISS) climate policy, which recognises the importance of addressing and mitigating environmental, social, and governance (ESG) issues. We enact this policy as it accurately reflects Osmosis's belief in the long-term materiality of climate and environmental issues to shareholder value and the importance of actively managing and reducing exposure to climate-related risks in portfolio companies. Osmosis maintains records of shares held and voting rights for each company across our portfolio. Instructions are conveyed to custodians or sub-custodians for each fund through our ISS platform, who execute out instructions. The detailed monthly voting summaries are accessible on our website.

The ISS climate policy utilises climate data, alongside exclusive research and expertise in relevant issues and is tailored to uphold principles of responsible stewardship. Research focuses on climate issues such as greenhouse gas emissions, climate risk and strategy, and adherence to frameworks like the Task Force on Climate-related Financial Disclosures (TCFD). These assessments inform climate-based proxy recommendations for subscribing clients, as well as providing additional research, data, and alerts.

We closely monitor the ISS service through our ISS portal and maintain regular communication with our service provider. As part of our voting review processes, members of our environmental team put together an internal report on key themes and significant votes from the 2023 AGM season to keep the broader research teams informed and up to date on our proxy voting practices. ISS also provides us with tailored alerts which inform us immediately of any changes to voting mechanics and rights, and alert us of upcoming votes which we consider to be 'significant.' Our environmental team then reviews the voting recommendations on these ballots to ensure that they are aligned with our views, as well as comparing to research provided by corporate shareholder advocacy groups, such as ShareAction and As You Sow. Whilst in 2023 we were not dissatisfied with any of the ISS climate policy recommendations, in such a case we would vote the ballots ourselves and provide clear and actionable instructions for future improvements in vote recommendations to our ISS account manager.

As Osmosis is an environmentally focused sustainable investment management firm, the votes we consider to be 'most significant' are all environmentally focused. These can include a wide-range of management and shareholder resolutions from plastic pollution to water security and nuclear power. Osmosis, however, finds that the most common environmental resolutions relate to low-carbon transition topics like transition planning or fossil fuel financing, or carbon emissions, such as the introduction of emission reduction targets or improved carbon emission reporting.

3.4 Exercising Rights and Responsibilities (cont'd)

3.41 Factors Used to Evaluate a Company's Climate Related Performance

Factors used to evaluate a company's climate-related performance fall under five primary categories: climate norms violations; disclosure indicators; current performance indicators including greenhouse gas emissions data; future performance indicators drawing from the Carbon Risk Rating (CRR); and Carbon Risk Classification. The factors are used to assess a company's risks associated with the impacts of climate change, along with its preparedness to face and mitigate those risks in an increasingly carbon-restricted economy. The model's expectations used to assess performance practices are defined by industry groups, based on the specific climate risks identified in industry and multi-stakeholder initiatives and reflected in authoritative standards such as the Global Reporting Initiative, and the Sustainability Accounting Standards Board.

Given the importance of this research to our voting behaviour, we maintain an active dialogue with ISS to provide our feedback and views on their research. Osmosis retains the final voting decision on all issues and can vote against the policy if we disagree with ISS' recommendation. Osmosis actively communicates voting outcomes on request to clients and provides a summary in its regular quarterly reporting. Since last year we have made all voting decisions publicly available on our website. In the case of individual mandates, Osmosis works with investors, where desired, to ensure that their proxy voting strategies are enacted. Osmosis does not partake in stock lending practices.

3.42 Climate Change

Human-induced climate change represents a paramount threat to both the Earth and its inhabitants, with 2023 marking the hottest year ever recorded. From a financial standpoint, it poses a severe risk to shareholders due to potential impacts like operational disruptions and losses stemming from extreme weather events or regulatory shifts during the low-carbon transition. To mitigate these risks for our shareholders, we prioritise voting for proposals that demand transparency regarding companies' awareness of climate change risks and their corresponding mitigation strategies. For instance, we consistently support resolutions advocating for reductions in greenhouse gas (GHG) emissions whenever they arise.

Exxon Mobil Corporation

We supported a shareholder proposal presented to Exxon Mobil to report on their methane emission disclosure reliability, with the primary aim of ensuring disclosed figures were not underestimated. This resolution not only follows a similar proposal passed by Chevron shareholders in 2022, but also came after an Exxon Mobil methane leak in February 2023 in the Permian Basin, New Mexico. Following this leak, Exxon Mobil came under fire for failing to report the methane spill to the local government, thus violating state legislation. Despite supporting the Aiming for Zero Methane Emissions Initiative and being a signatory of the Methane Guiding Principles, an initiative developed to improve the measurement and disclosure of methane emissions, Exxon Mobil's management advised shareholders to vote against such a proposal. Due to our reliance on accurate emissions data in our investment process, Osmosis supported this proposal. Unlike the 2022 Chevron vote, this proposal was not passed, receiving 36.4% in favour.

The Southern Company, Chevron Corporation, Exxon Mobil Corporation

These three companies' actions in the coming decade will be one of the strongest determinants of the planet successfully reaching Net Zero by 2050. We therefore supported shareholder proposals for the adoption of Scope 3 greenhouse gas emissions targets that are in line with the Paris Agreement's aim to keep global warming well below 2 degrees Celsius. While our investment process focuses on the actual changes in carbon emissions that firms make year to year, we recognise the role that targets have in catalysing change within companies and consumers to bring down emissions. None of these proposals passed, with support at 19.77% for Chevron, 19.88% at the Southern Company and 10.5% at Exxon Mobil.

3.4 Exercising Rights and Responsibilities (cont'd)

3.43 Water

A key metric in assessing a company's environmental sustainability at Osmosis is the usage of water. We address this issue in our proxy voting as we believe good management of water is a driver of long-term shareholder value. As 2023 marked the hottest year on record, an abundant water supply for corporate and industrial operations is no longer a given. We therefore believe that in today's precarious water environment, it is crucial for companies to use water efficiently. This not only helps alleviate pressure on vulnerable natural water systems but also helps mitigate financial and operational risks associated with water scarcity.

The Kraft Heinz Company

We supported a request for a report on water risk exposure in supply chains at Kraft Heinz. Mercy Investment Services, Inc., the filer, submitted the same shareholder proposal in 2022. They cited the 2021 IPCC report in their request for this information, reiterating how climate change is intensifying the water cycle, and worsening droughts globally. Kraft Heinz management did not support this proposal and ultimately it did not pass, receiving just 7.8% support.

3.44 Waste

Waste poses a significant threat to biodiversity, both on land and in oceans, as well as to human health. Additionally, it contributes substantially to anthropogenic climate change through the release of methane from landfill sites. At Osmosis, we believe that the efficient management of resources and the minimisation of waste are essential for fostering a more sustainable and equitable world and driving long-term shareholder value. In tackling these environmental challenges, we support proposals aimed at curbing corporate and industrial waste. For example, we consistently advocate for resolutions promoting reductions in plastic usage.

Amazon.com Inc, Yum! Brands, Exxon Mobil Corporation, Phillips 66

In 2023, we endorsed four resolutions aimed at addressing plastic pollution and waste across various sectors. These shareholder resolutions were proposed by As You Sow, a non-profit foundation dedicated to advancing corporate social responsibility. Three of these proposals, targeting Amazon, Exxon Mobil, and Phillips 66, called for reports on their plastic pollution and its impact, citing their significant contributions to the plastic crisis. The fourth proposal, directed at Yum! Brands, urged the adoption of a policy on single-use plastics, grounded in similar concerns. Although focused specifically on plastic pollution and waste, we supported this proposal as waste generation is one of our core environmental performance indicators. Unfortunately, none of these resolutions garnered sufficient support, with Amazon receiving 32.3%, Exxon Mobil 25.3%, Phillips 66 11.8%, and Yum! Brands 36.9%.

3.45 Board Members

In 2023, we voted against, withheld support, or abstained from voting in nearly 100 director elections specifically due to their shortcomings in addressing climate-related issues. We believe that board members and chairs bear a crucial responsibility for a company's climate and Environmental, Social, and Governance (ESG) impacts, and it's imperative to hold them accountable. In board elections, we vote for directors who show accountability and responsiveness to shareholders, as well as directors who contribute value to boards and maintain adequate independence from management. Specifically, we prioritise the scrutiny of directorship votes in companies that are major greenhouse gas emitters and those displaying inadequate oversight and management of significant environmental risks.

3.4 Exercising Rights and Responsibilities (cont'd)

Berkshire Hathaway and Chevron Corporation

In 2023, Osmosis voted against all director nominees at Chevron Corporation and withheld votes against all nominees at Berkshire Hathaway due to concerns regarding the management and oversight of climate-related risks at both companies. Neither entity is aligned with investors' expectations of achieving Net Zero by 2050. Whilst all board and chair elections at both companies were confirmed, by not voting in favour of these directors we aim to send a signal to Chevron and Berkshire that we are dissatisfied with their climate and ESG performance and management.

3.46 Social

At Osmosis, our primary emphasis lies in the environmental dimension of sustainability. However, we endorse social initiatives that we deem beneficial for enhancing shareholder value in the long-term, as they align the company's interests with those of society broadly. We are particularly supportive of those proposals seeking more information on pertinent topics and those that would encourage adherence to the internationally recognised standards and principles.

Fedex Corporation, Amazon.com, United Parcel Service, Marathon Petroleum Corporation

In 2023, the International Brotherhood of Teamsters General Fund submitted resolutions to FedEx Corporation, Amazon, United Parcel Service (UPS), and Marathon Petroleum Corporation, requesting reports on its approach to a just transition in relation to its climate change strategy. The concept of a "just transition" underscores the acknowledgment that as the world transitions towards a more environmentally sustainable economy, the effects of this shift on various stakeholders must be considered. This includes employees, workers within its supply chain, and the communities in which it operates. Osmosis supported these proposals as greater disclosure on the firm's just transition strategy will aid stakeholders in their evaluation of related social impacts. None of these proposals passed, with 16.4% support at Marathon Petroleum Corporation, 24% support at UPS, 27.9% support at Amazon, and 30.2% support at FedEx.

3.47 Anti-ESG

As numbers of environmental, social and governance (ESG) related proposals at AGMs grow, there has also been a rise in so-called 'anti-ESG' proposals. Georgeson (2023) reported that 'anti-ESG' proposals represented 10% of total ESG shareholder resolutions across the entire 2023 proxy season, up from 5% in 2022. Osmosis votes consistently against these proposals due to their nature of undermining transition and sustainability efforts.

3.4 Exercising Rights and Responsibilities (cont'd)

FirstEnergy

A shareholder proposal presented to FirstEnergy requested the establishment of committees on 'decarbonisation risk': the risks to companies and their shareholders in undertaking decarbonisation. The proposal was filed by the American conservative think tank, National Center For Public Policy Research, which believes Net-Zero is not feasible and therefore efforts from FirstEnergy would be meaningless. The board of FirstEnergy advised shareholders against supporting this proposal. Osmosis voted against this proposal as it contradicts guidance provided by internationally recognised frameworks and organisations, such as the Intergovernmental Panel on Climate Change (IPCC) which provides regulators with scientific assessments on climate change and its potential risks and impacts. The proposal was not passed, receiving just 1.45% in favour.

Wells Fargo, PACCAR Inc., Boeing Co.

Wells Fargo, PACCAR Inc and the Boeing Company received requests for reports on how their direct and indirect lobbying activities align with the goals of the Paris Climate Agreement, Net Zero commitments, and the 2030 targets the companies have made. For all three entities, management recommended shareholders vote against the proposals. Management from Boeing argued that it had already provided sufficient information on its lobbying and trade and political engagement, highlighting how information on the company's website provides an overview of its significant lobbying activities. Osmosis supported these proposals, as we believe that greater transparency in this area allows us to function better as asset managers and gives us new considerations in our engagement programs.

3.48 Climate Lobbying

We support well-functioning and transparent markets. In line with the beliefs of the OECD, transparency in lobbying is crucial to safeguard the integrity of public decision-making processes. We consistently support shareholder proposals for reports on lobbying practices, especially regarding climate change as greater information regarding corporate lobbying allows us to better focus our stewardship and engagement processes.

3.5 Promoting Well-functioning Markets

As part of Osmosis' stewardship responsibility, we actively identify and address market-wide and systemic risks to ensure our portfolios are resilient. As a sustainable investment manager, our strategies for responding to market risks are strongly focused on climate change mitigation and this is our most effective contribution to well-functioning markets. In addition, we do ensure our risk and research teams assess and consider more broad categories of market and systemic risks.

3.51 Climate Change and Resource Efficiency

Climate change, resource use, and environmental degradation stand as some of the most urgent challenges of our era, posing threats to human life, the planet, and our economic systems.

At osmosis, climate risks are integrated into our day-to-day risk management processes, and we are focused on delivering measurable environmental reductions as one of our key levels of impact. Our investment approach is centred on evaluating the resource efficiency of companies within their sectors. The Osmosis Model of Resource Efficiency inherently favours companies that produce more revenue from less resource usage, thus reducing environmental risk in portfolios without taking on extra systematic risk to do so.

Our dedicated environmental and quantitative teams thoroughly analyse the climate and environmental risks associated with the corporations in which we invest, with a focus on carbon emissions, water consumption, and waste generation. Osmosis believes that sustainable investment should not compromise financial returns, advocating that sustainability metrics can enhance performance in mainstream portfolios, generating alpha. The past twelve months have continued to demonstrate the benefits of investing in resource-efficient businesses boasting resilient business models and strong environmental credentials.

In 2023, we not only integrated climate change risks into our investment strategy but also took proactive steps to manage them. This included endorsing climate-related management and shareholder proposals through proxy voting, as outlined in section 3.4. Additionally, we contributed to promoting well-functioning markets through strategic external engagement and collaborative initiatives aimed at increasing awareness among stakeholders and the broader society regarding the environmental risks our economy and planet face, as discussed in sections 3.1-3.3. Our efforts have involved collaborative initiatives with fellow investors, aimed at promoting a responsible corporate approach to addressing the challenges presented by climate change. An example of such collaboration is our involvement as lead campaigners for the CDP non-disclosure campaign in 2023.

Additionally, we hope to further raise awareness through our environmentally focussed thought leadership. Our research team continued to publish various environmental and economic insights in 2023, ranging from new innovative measures companies are piloting to reduce emissions, to work on the green transition and the necessity of strong risk management. These pieces are available to read on Osmosis' website.

3.52 Emerging Markets and the Whole Economy Solution

At Osmosis, 2023 has also been marked by an extensive research project into the MSCI Emerging Markets index, which included hiring three full-time analysts to meticulously comb through the environmental data, test its veracity and contextualise it on a sector-by-sector basis. Previously focusing solely on developed markets in the MSCI World Index, due to sub-optimal emerging market (EM) environmental data, we have recognised a pivotal shift in the EM sustainability data landscape. We believe that opening up our portfolios to include emerging markets is paramount in executing our whole economy approach and facilitating the global transition to a low-carbon economy, as well as broadening the scope of our contributions to promoting well-functioning markets.

3.5 Promoting Well-functioning Markets (cont'd)

Osmosis's whole-economy approach aims to promote environmental best practices by rewarding environmental leaders and penalising laggards across broad market sectors. This approach recognises that completely excluding heavy industries, vital to our socioeconomic systems, will not facilitate a smooth transition to a more sustainable economy. By broadening the firm's coverage to include EM, we hope to continue to encourage and reward positive and innovative environmental practices in different regions and sectors.

Research, such as that by Baumert et.al, argues that in the last three decades developed economies like the US, UK, Canada, and Australia are increasingly outsourcing their emissions to less developed regions with lower climate ambitions, through shifting their production to less carbon-intensive goods and increasing imports of carbon-intensive products.

As Osmosis aims to promote well-functioning markets within the context of climate change, we believe it is crucial to consider the environmental performance of companies in regions now burdened with these emission increases. The firm aims to replicate its developed markets investment model, where we aim to facilitate the flow of capital towards companies with good environmental performance away from their inefficient peers, within the emerging markets index. This approach will cover both high and low intensity sectors, to aid the global transition to a low-carbon economy.

Research into the emerging market climate-disclosure regulatory sphere is available on our website and an article on the environmental data availability was featured by Environmental Finance.

3.53 Social Risks

All our strategies exclude tobacco. In addition, we align our portfolios with the UN Global Compact (UNGC) Principles for social and governance safeguards. The UNGC is one of the world's largest corporate sustainability initiatives and supports companies in both aligning their strategies with 10 principles on human rights, labour, the environment, and anti-corruption, but also provides guidance on actions to advance broader societal goals such as the UN Sustainable Development Goals. Any company in breach of these principles will be automatically excluded from Osmosis' portfolio selection in order to mitigate our exposure to these social risks.

Osmosis works closely with clients to integrate ESG considerations into their portfolio whilst maintaining traditional risk exposures aligned with the underlying client mandate. Examples of this include customised single stock exclusion, sector exclusion and faith based exclusions.

3.54 Geopolitical Risks

We recognise there are substantive geopolitical risks which feed into and impact the global economy and financial markets in a variety of ways. Over the last few years, we have seen the ongoing Russian-Ukrainian and Israeli-Gazan conflicts, both of which have differing but wide-ranging effects. These geopolitical situations have adverse consequences on climate co-operation, whether due to the de-prioritisation of climate change on the policy agenda, or the disruption of trade routes which the energy transition relies upon.

The Russia-Ukraine crisis, for example, encouraged European governments to focus on short term economic health and energy security. This led to further investment and a prioritisation of fossil fuel assets, as opposed to utilising the higher fossil fuel price to further incentivise both state and private enterprises to invest in renewables, as market forces should dictate.

3.5 Promoting Well-functioning Markets (cont'd)

Conflict in the Middle East, seen recently with the Houthi rebels targeting trade routes in the Red Sea, has the potential to cause serious hazards to trade flows across the globe; 15% of global maritime trade passes through the Suez Canal and disruptions can have wide-reaching consequences.

Further to this, it is worth noting the importance of global political cooperation in the energy transition. China, India, and Southeast Asian countries make up around three-quarters of coal consumption worldwide, and the developed world must play its part in aiding the energy transition in developing countries, especially with the International Energy Agency noting that global consumption hit an all-time high in 2022 following a rise of 3.3% to 8.3 billion tonnes. By identifying and allocating capital towards those companies that are more resource efficient than their sector peers (and thus best placed for the energy transition), we seek to play a part in this process.

It is vital that during geopolitical crises, governments place their citizens first in addressing urgent problems, however these policies must be combined with investment in long-term, sustainable sources of energy, the importance of which far exceeds the near-term lure of fossil fuels.

3.55 Other Systemic Threats

The Osmosis board regularly engages with senior leaders in all departments to ensure that wider systematic and systemic risks are identified and addressed. It is the role of senior leaders to identify market-related risks/opportunities and report these back to the board, which will then implement the agreed-upon risk management measures together with the Investment Oversight and Development Committee (IODC), to ensure adequate resources, including staff, training, and budget, are available to assess, implement and monitor market-related risks and opportunities and measures.

4. Governance

Photo by Yousef Espanioly on Unsplash

4.1 Conflicts of Interest

We ensure our clients' interests remain at the heart of our business.

Following Financial Conduct Authority requirements, Osmosis has established, implemented, and maintains an effective conflict of interest policy that is appropriate for our size and organisation.

Our conflicts of interest policy describes how we place our clients' interests ahead of our own and undertake activities and cast proxy votes in a manner consistent with the best interests of all clients. The Engagement policy is freely available on our website.

Due to the nature of our business, the main types of conflict we are likely to encounter are those between the interests of Osmosis or its employees and the interests of clients (firm and client) and conflicts between clients (client and client). For example:

- Price sensitive information/confidential information
- Employee directorships
- Personal Trading
- Voting.

All Osmosis employees are responsible for identifying any actual and potential conflicts and notifying these to the Compliance Department which maintains a log of all conflicts and has procedures in place to manage the conflicts identified.

4.12 Review

We review our Conflicts of Interest Policy annually to ensure it adequately reflects the types of conflicts that may arise so that we can ensure that they are appropriately managed and as far as possible mitigated. There were no conflicts on interest to report during 2023.

4.13 Conflicts of Interest Approach in Practice

Our policy on conflicts may be best understood by considering its impact in practice. The following are examples of how we have approached these issues.

- All personal trading of equities by staff is subject to pre-approval by the Chief Compliance Officer. As a matter of policy, approval will not be given if such stock is in the Osmosis selection pool of companies thereby avoiding any conflict of interest or even the perception of a conflict.
- Employees are required to get approval before taking on any external directorships (such approval will not be given in the event there is any actual or perceived conflict with the Firm or its business).

Disclosure and Monitoring

Upon the start of employment, and on an annual basis thereafter, Supervised Persons are asked to complete a conflicts of interest questionnaire/ certification for review by the CCO.

Directorships

As part of the identification process, employees are required to disclose details of directorships and interests in other companies. The register is provided to the Board for review and challenge.

Trading

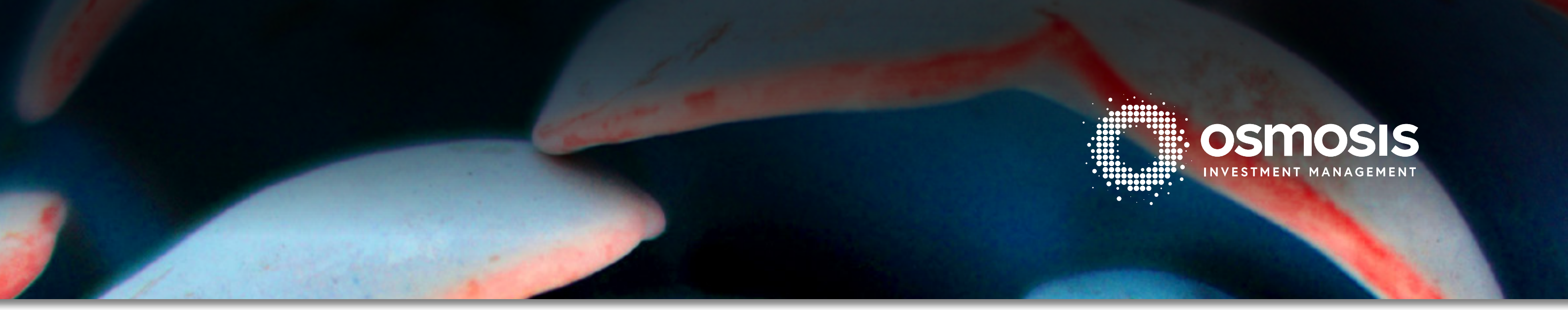
Osmosis' Personal Account Trading Policy requires that employees act according to the highest ethical standards and practice, and that they seek to minimise the risk of conflicts of interests with clients, the misuse of privileged or confidential information, or any involvement in insider trading, market abuse or interception of corporate opportunities.

4.1 Conflicts of Interest (cont'd)

Illustrative Case Study 1

Potential conflict of interest management in trading
The Osmosis Personal Account Trading Policy requires all staff to submit a pre-authorisation request for personal investments. All such investments will be implemented, where practical, within 24 hours. Such authorisation will NOT be given if the proposed investment is into a company/stock that Osmosis trades in its funds or for its clients. This approach avoids potential (or perceived) conflicts.

Breaches of the policy would be escalated to the Head of Compliance and, if determined to be material, to the management committee. A material breach would result in disciplinary action, which if serious, could result in summary dismissal (through the Company's formal processes).



4.2 Review and Assurance

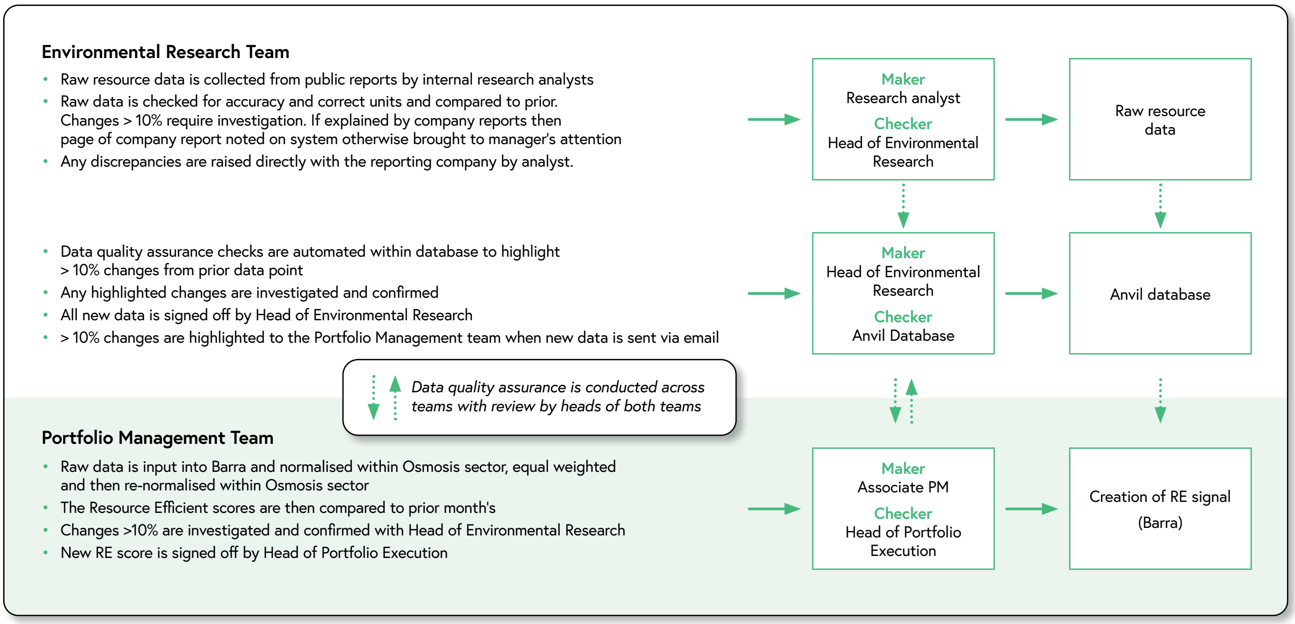
4.21 Review of ESG Related Investment Policies

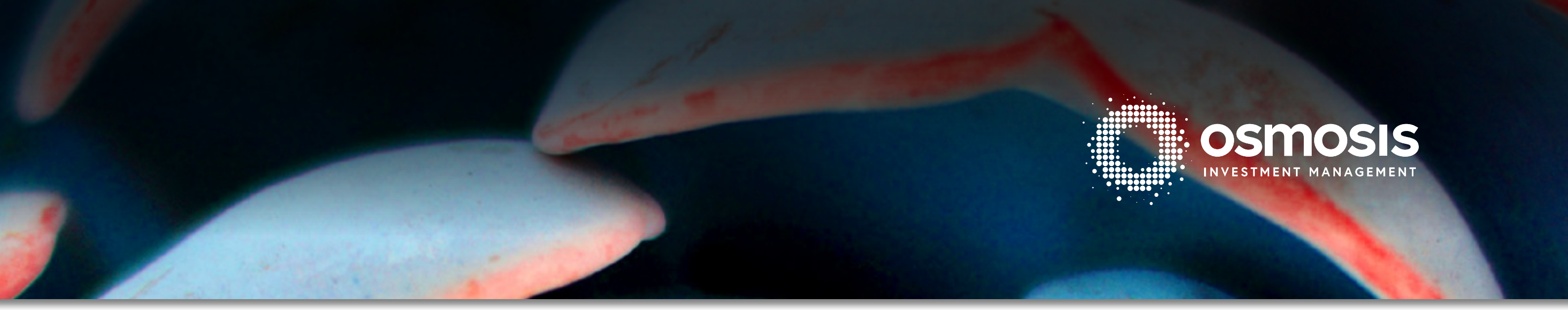
Responsible investment is driven from the top of the business and embedded across everything we do. The research team, which oversees ESG implementation, is managed by the Head of Environmental Research who reports to the Investment Oversight and Development Committee (IODC). The two teams work closely together and currently have 16 experienced and dedicated employees. The IODC provides oversight of the research and investment process, and this scrutiny drives the continuous improvement of stewardship policies and processes, under an established change control policy. As an example, following feedback from clients, the research team proposed two additional negative screens across Osmosis' funds and strategies which targeted cluster munition manufacturers and anti-personnel landmines producers. These exclusions were approved and signed off by the IODC and implemented into the investment process.

As part of such processes, the Investment Risk Review Committee (IRRC) is required to sign off on all material changes to investment strategies and investment processes, as well as issues arising in the resource efficiency data collation and analysis. In addition to the foregoing, the IRRC meets monthly to review investment and operational risk issues arising within the funds and SMAs operated by the firm and broader risk and compliance issues. The formal decision-making process lies with the firm's Management Committee, which includes two directors and reports to the Board.

An enterprise risk committee is responsible for maintaining a risk register where material risks to the firm are considered, assessed, monitored, managed and/or mitigated. All significant events are notified to the relevant committee. If an event is material to the firm and requires a board response, it is notified to the board, and the appropriate action is initiated.

The IODC and the IRRC also meet on an ad hoc basis as and when circumstances demand to address urgent issues that might arise between the regular monthly meetings.





4.2 Review and Assurance (cont'd)

4.22 Model Checks and Balances

Osmosis' data collection is a manual process whereby individual corporate reports are reviewed, and relevant data is extracted. Our data comes directly from corporate reporting, with no third party data sources used. Osmosis' research team has sectoral analysts with expertise in environmental reporting within their respective sectors.

Every month, companies that have produced new environmental data are identified and analysed by the relevant analyst. The research process uses various tools to identify which companies have released new data points, including notifications sent directly by corporate sustainability teams to our research team and specialised CSR (Corporate Sustainability Report) alert tools, as well as insights about when and where companies will release new reports based on their reporting history.

Once new reports are identified, the relevant data is extracted and then standardised to our sector economic frameworks.

Before data is permitted into our database, it must be manually collected, verified, and standardised by a research analyst following strict research guidelines and ensuring the data's origin is fully documented.

Each new data point is subjected to a series of statistical checks, including calculating and flagging any large year-on-year changes in the company's absolute research consumption and any year-on-year changes in its efficiency. Any values that exceed the acceptance threshold are further investigated, and where no explanation can be found, company management is contacted directly to explain and clarify anomalies. Only when a satisfactory resolution can be documented is the value added to our database.

The Director of Environmental Research must approve all data before final submission. Any changes to the database are discussed monthly during the Investment Oversight and Development Committee.

As part of ongoing quality assurance, we continuously liaise and engage with companies regarding their environmental metrics. This is a key step in our monthly data validation process and enables company management to provide clarity or context to disclosures.

4.23 External Benchmarking

Osmosis participates in the external benchmarking and annual assessment process of the PRI (Principles for Responsible Investment). Since our initial membership in 2014, we have consistently been evaluated with above-average scores in the PRI's core modules. We believe that through these external initiatives, we provide the market with a fair, balanced, and understandable report. We complement these reports with stewardship-focused client reporting, where we try to follow UK Stewardship Code Principles ensuring fair and balanced views.

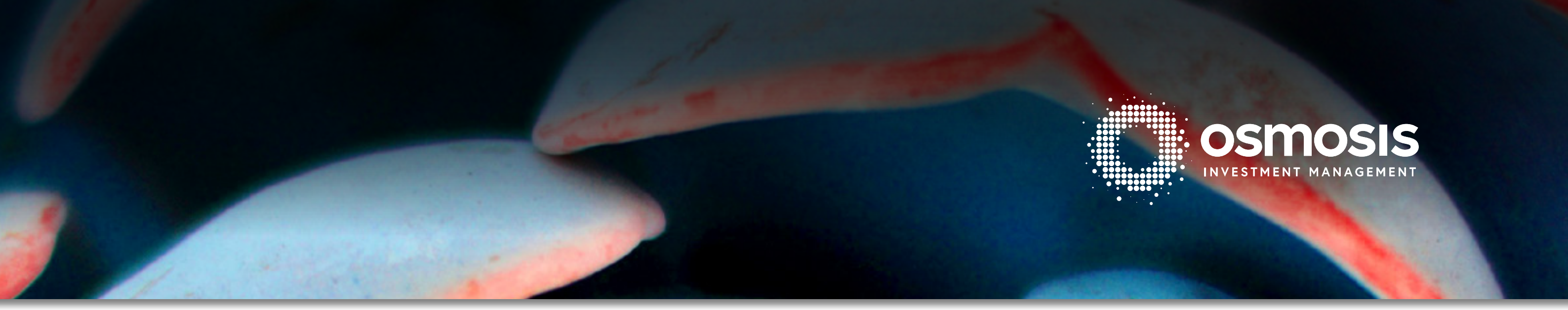
In the PRI's latest assessment, Osmosis was awarded top scores in all sections of the UN-backed Principles for Responsible Investment (PRI) 2023 Assessment Report.* Of particular note, the highest score (a 5 star rating) was achieved again for our approach to Strategy and Governance. In addition, we received 5 star ratings for Direct – Listed equity – Active quantitative, Direct – Hedge funds – Long/short equity and Confidence-building measures. All key areas in which we continue to strive for excellence.

Summary

- 5 star rating awarded again for Policy Strategy and Governance
- 5 star rating awarded for Direct – Listed equity – Active quantitative
- 5 star rating awarded for Direct – Hedge funds – Long/short equity
- 5 star rating awarded for Confidence-building measures

4.24 Assurance of report

This report has been seen and approved by Osmosis' Management Committee (ManCo) as well as its Board of Directors.



4.3 Monitoring Managers and Service Providers

As a boutique investment manager, Osmosis's environmental footprint is very low compared to our larger peers; however, we recognise that firms of all sizes and industries will be impacted in the transition to a net-zero economy. Just as climate risk is at the heart of our investment strategies, we also make sure that climate risk is considered in our firm's daily running and future planning.

4.31 Environmental Impact

Our in-house environmental programme focuses on measuring, managing, and reducing our most significant impacts. From an energy perspective, this includes scope one emissions (fuel), scope two emissions (energy for buildings) plus business travel, as well as supplier-related emissions. We aim to reduce carbon intensity from energy use and business travel. Operational waste and water consumption in the office is targeted through enhanced recycling and paper consumption reduction efforts. At the same time, water-based filtration systems have been installed to negate the use of plastic bottled water.

4.32 Responsible Procurement

Our responsible purchasing approach aims to promote environmentally friendly products and services by screening for suppliers that take ESG considerations into their business operations.

4.33 Collaborative Engagements

Osmosis actively participates and collaborates with broad market coalitions to improve investment practices across the industry, in line with the UN's Sustainable Development Goals. We are active partners of the CDP (Carbon Disclosure Project), PRI (Principles for Responsible Investment), GRI (Global Reporting Initiative), and Climate Action 100+, and aim to use our expertise to advance responsible investment.

4.34 Our Communities

Giving back and supporting local charities and community projects are becoming an increasingly important part of our culture. We provide the opportunity for our employees to receive paid time off for skills-based volunteering in the local community. We are also launching a scheme to match employee donations for individual fund-raising initiatives.

4.35 Our Service Providers

Osmosis relies on certain service providers within our investment process, including proxy voting agents, data providers and trading platforms. Osmosis conducts an annual review of all service providers, ensuring their services have been delivered and continue to meet the needs of the business. From a stewardship perspective, the main service providers are ISS and MSCI ESG. The research team continually monitors the service they deliver, and with regard to the latter, the data used for creating exclusion lists.

Important Disclosure Information and Disclaimers

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Any views expressed are those of Osmosis only and should not be construed as investment advice or in any way recommending a specific security.

ESG Criteria:

Environmental, Social, and Governance ("ESG") criteria are incorporated into the portfolio construction of all Osmosis's products. Utilising ESG as an investment factor has risks including that it may not encompass all environmental, social, or governance issues, and as with all investment approaches, there are no guarantees that it will lead to greater portfolio performance. For more information on the Osmosis approach to ESG, please see our separate ESG disclosures.

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