Fulcrum Asset Management Stewardship Report 2023-2024

UK STEWARDSHIP CODE

FULCRUM

Contents

Statement from Management Board

We are delighted to introduce our Stewardship Report (the "Report") for the year ending 30th June 2024. During the reporting period, we have seen a sustained high level of interest in stewardship. It is clear that engagement efforts and sustainability initiatives are broadening out beyond climate change to a number of other areas. From an environmental perspective, more focus is being placed on biodiversity (as has been gradually the case for a few years) and antimicrobial resistance. We also observe more debate on social change including population dynamics and the impact of technology on jobs plus how some of these social facets interact with their environmental counterparts.

The regular stream of ESG reporting templates continues to impact our business and we are grateful for some initial efforts to streamline this, including by the FRC for the Stewardship Code. The gradual recognition across the industry that a better balance is required between 'doing' and 'reporting' is starting to take hold. This is perhaps emphasized more greatly by the business pressures many asset managers are facing. It cannot be ignored that (particularly in the UK market), asset managers have been struggling under the weight of de-risking activity (e.g. selling growth assets such as equities and using the proceeds to buy government bonds) by Defined Benefit pension schemes. On the one hand, this should be celebrated as funding goals are met, but it does have knock-on consequences for broader industry resourcing. De-risking has also had an impact on the markets and in this report, alongside several other systemic risks, we discuss one of the second order effects, which has been the impact on activity in the private markets.

Similar to last year, we have structured the Report in line with our approach to stewardship as well as the interim changes to the UK Stewardship Code. As such, we are disclosing against "Context" only where material changes have taken place to previous disclosures. Additionally, we will not be reporting against "Activity" and "Outcome" for Principle 2, 5 and 6, except where there are material updates. To aid understanding we will be cross-referencing to our prior year Stewardship Report which was accepted by the FRC and granted signatory status. We have taken the liberty to include an updated Principle 1 due to material changes in how Fulcrum is structured as well as restating our values as we believe they are fundamental in guiding our stewardship approach.

During the reporting period, we also celebrated our 20th anniversary as a business. The last 20 years reflects the hard work of our team and the dedication of our clients here in the UK and around the world. We are very grateful for their continued support and are excited about the next 20 years!

We hope that you find this Report useful and engaging and as always, we welcome your feedback.

The Management Board

Statement from the Chair of our Responsible Investment Committee

Fulcrum Asset Management LLP ("Fulcrum") believes that the most effective way of staying ahead of the increasing client needs and regulatory obligations is through having an innovative and integrated approach to stewardship

Our heritage in macroeconomic research is very important to us at Fulcrum and macro strategies remain the central part of our business today. As we invest in a wider range of strategies and asset classes over time, the macro research we do helps to guide our thinking. During the reporting period, the work we have been doing on a broader set of opportunities began to come to fruition as we moved towards the launch of our Long Term Asset Fund (LTAF) in the UK. Please refer to Principle 7 for our case study on the LTAF. We are very excited by this development as a business; one where our stewardship work is highly relevant.

More generally, we have evolved our structure during the year to focus in on three capabilities rather than five.

- We have combined our thematic equities with macro/multi asset to be under the banner **'Discretionary Strategies'**. This change reflects the integral nature of thematic equities to our discretional multi asset and macro offerings. We continue to concentrate on climate aligned investing which necessitates holding equities in custody (not synthetically) and includes a prioritised engagement list.
- Our macroeconomic research team has been renamed **'Quantitative Strategies'**, a team that encompasses our Alternative Risk Premia capability as well as a range of new quantitative models. We continue to use Environmental, Social and Governance (ESG) data in our trend following models within this capability and the expansion in our quantitative modelling expertise may also give rise to further opportunities to integrate sustainability risks and opportunities in the future.
- Our **'Alternative Solutions'** team continues to invest via external managers and is where our new LTAF resides.

We also felt that our climate change investing capability is better framed as a horizontal 'foundation' that, where applicable, goes across the whole business. This reflects the evolution we discussed in last year's report, where we moved the implementation of the vast majority of physical equities across our strategies to be 'climate aligned'.

In addition to the above, you will also read about some of the new initiatives we have been getting involved with, including more work on biodiversity, for example. This links back to the Action Plan we developed over recent years. Below we provide a review of progress against the objectives we set out in our prior Action Plan during the year. Later, in the Direction of Travel section of this Report, we also discuss our Action Plan for next year as well as our 3–5-year goals, which highlight our commitment to improve further.

Matthew Roberts, Partner and Chair of our Responsible Investment Committee

Action Area	Update
Development of firm-level ESG key performance indicators: we look forward to using our Principal Adverse Impacts (PAI) as a foundation to create ESG KPIs to monitor and report on firm level progress.	Our research team has now developed an aggregated, normalised score using all the underlying PAI information. This is a significant step allowing us to assess at various levels of granularity how our portfolios score on these metrics. Next year, we will be working on how best we can roll this out and embed this across our fund range.
Ensuring we have sustainability leaders across each of our investment capabilities and clarify roles and responsibilities of central resources. We are planning to consolidate the different capabilities at Fulcrum and for each of our strategic capabilities, we aim to have a Sustainability Lead. We will also have a central sustainability function led by one of our ESG specialists. We plan on showcasing our new organisational structure and how we have embedded sustainability across the business in our next report.	We have chosen to employ a fully integrated structure in how we integrate sustainability within our investment teams. We believe that at Fulcrum, this facilitates cohesion of sustainability-related risks and opportunities when making investment decisions. To ensure discipline, knowledge sharing and dedication, we have appointed Sustainability Leads for each of our investment capabilities – Discretionary Strategies, Alternative Solutions and Quantitative Strategies. They are tasked with driving sustainability within their investment teams including enabling integration, direct and collaborative engagement and focusing on research.
Make progress (including completing due diligence) towards initial targeted investments relating to biodiversity and understanding material biodiversity risks in our portfolios.	We have joined PRI's Spring initiative as part of our ambition to better engage with invested companies on biodiversity loss. We anticipate that our work with Spring will further enhance our firmwide approach towards addressing biodiversity loss. We have also started establishing tangible biodiversity-related objectives within specific deals in our LTAF offering including re-introduction of flora, identifying land for conservation efforts and ensuring practices that do not contribute towards biodiversity loss in assets we own.

There is always further work to be done, and we look forward to discussing this in our Direction of Travel.

We fully support the Financial Reporting Council's updated and extended definition of stewardship as "the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society".

2023 - 2024 Stewardship Highlights

We continue to be signatories to the Net Zero Asset Manager Initiative and support their goal of reaching net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius. Our ambition can be found on their website.

More than 315 signatories with USD 57 trillion in AUM

We continue to participate in a range of industry initiatives including the PRI, Climate Action 100+, IIGCC, TCFD. We have joined PRI's Spring Initiative to better engage on the biodiversity crisis we are facing.

We are forging ahead on our Diversity, Equity and Inclusion (DEI) efforts through our active participation in the Diversity Project and Asset Owner Diversity Charter (AODC). We recognise there is a long way to go in creating a more diverse workforce in the asset management industry. We look forward to learning best practices from the initiative, collaborating with our peers and doing our part in building a workplace that embraces DEI. Our DEI champions are part of this effort.

Our research team has developed an aggregated, normalised score from all underlying Principal Adverse Impact (PAI) indicators. This significant step allows routine assessment of our portfolios across various levels of granularity, helping investors align with ESG goals, managing risks, and making informed decisions. We are currently implementing this programme across our fund range to enhance transparency and accountability. Find our PAI statement on our website.

Our Sustainability Leads have penned a range of papers focusing on climate change risks and opportunities, which can be found on the sustainability section of our website.

Net-zero portfolios (NZP), which aim to reduce carbon footprint exposure to zero by a target date, are becoming a popular vehicle to align investors' incentives with climate scenarios. The climate research team (Gino Cenedese and Shangqi Han) co-authored with Marcin Kacperczyk a research paper entitled "Carbon- Transition Risk and Net-Zero Portfolios" publicly available here, which focuses on distance-to-exit (DTE), which calculates the distance, in years, until a company gets excluded from NZP.

We launched our LTAF strategy within our Alternative Solutions team. We look forward to sharing outcomes from the active stewardship efforts that are under way in our Stewardship Report next year.

Our European-registered version of the Diversified Absolute Return strategy has been authorised as an Article 8 fund under the EU SFDR, referring to funds that promote sustainability characteristics.

Principle 1

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

Fulcrum overview

At the end of the reporting period, Fulcrum's team stood at 98 people; a slight reduction from 104 a year earlier. We have offices in the UK (HQ), the US and a representative office in Japan. We are proud to have built a strong, experienced investment team with a real passion for investing. Our Assets Under Management (AUM) stand at £5.8bn / US$7.3bn (figures as at 30.06.2024). As an investment boutique we are large enough to enjoy economies of scale and a breadth of expertise but equally we are nimble enough to be able to respond quickly to market events or alter course whenever we see opportunities. Our mission is:

> "Guided by innovative macro research, a disciplined investment process and effective risk management, we aim to be our clients' most trusted long-term partner"

We aim to build lasting relationships based on the alignment of our clients' interests with our own through our three investment capabilities: Discretionary Strategies, Alternative Solutions and Quantitative Strategies.

Consolidating our five strategies to create our three investment capabilities – Discretionary Strategies, Alternative Solutions, Quantitative Strategies

Activity	We have decided to combine some of our capabilities to ensure a more focused team with a more coherent shared mission and business plan. As such, the Thematic Equities has been combined with Macro to form Discretionary Strategies (in practice this was very natural as the team members work closely together on a day-to-day basis). We have thought carefully about how best to think of climate aligned investing, recognising our clients' interest in sustainability with a focus on climate change, we feel it is better positioned as a "horizontal foundation" going across the whole of our business where appropriate as opposed to a "capability".
Outcome	We look forward to sharing any take aways resulting from the new structure in next year's report.

Purpose

Our previous Stewardship Report discussed how we formalised our core values, including Sustainability, both at an enterprise and investment level. It helped engrain the belief that Sustainability at Fulcrum is a lens through which we consider our decisions. As rigorous financial and economic modellers, it has become clear to us that it is crucial to consider ESG risks alongside more traditional risk metrics. This helps us to gain a more complete picture of a given investment opportunity and, we believe, make better investment decisions. Being thoughtful stewards of our clients' (and indeed our own) capital will be an essential part of achieving our purpose as a responsible investor and stewards of capital. We would like to reaffirm the statement of purpose expressed in last year's Report:

> "We work with clients to maximise the probability of meeting their objectives. We focus on providing innovative investment solutions that are aligned with our clients' objectives and risk appetite to deliver positive returns in the broadest range of market environments. We aim to manage our clients' money as carefully as we manage our own with as few conflicts of interest as possible. To that end and since our inception, we have invested alongside them, managing the money in the same way."

Business strategy

For all current and prospective clients, our focus on stewardship and sustainability will be paramount in achieving our business objectives. Our strategy for future growth is as follows:

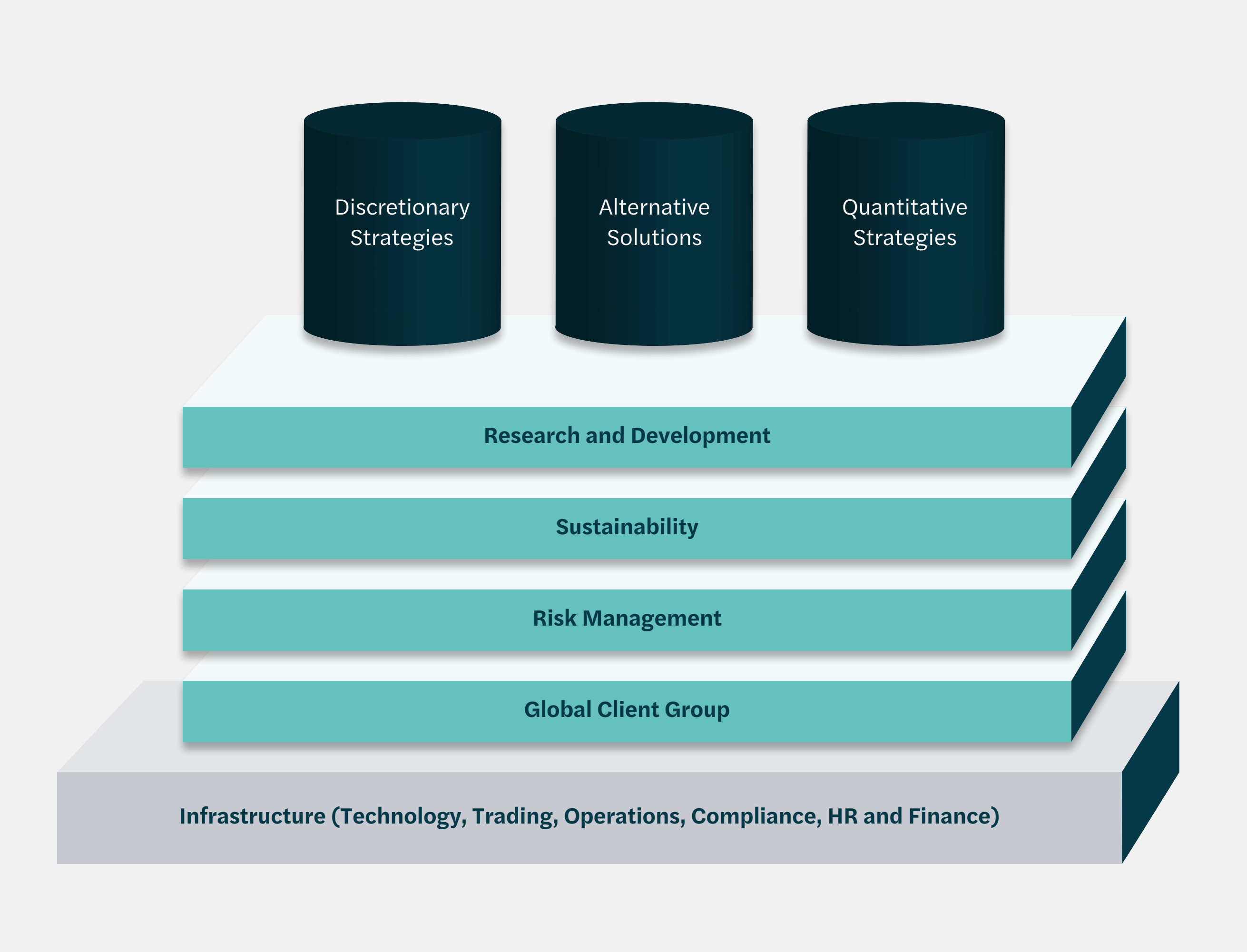
- Provide excellent service and thought leadership to our clients, including managing their assets responsibly and in a manner consistent with their stated objectives.
- Retain our focus on consultants and other intermediaries (such as wholesale distributors and independent financial advisor networks) as key relationships and efficient distribution channels.
- Innovate with existing and prospective clients to help them meet their goals. It will be incumbent on us to engage with our clients, the investment consultant community, and our industry more broadly to fully understand their needs. We continue to see potential for growth in UK DC pension schemes and Master Trusts, Local Government Pension Schemes, Australian institutional, UK wealth management/wholesale clients, US wholesale and institutional and continental European institutions.
- Continue our pro-active approach on engagement including voting activities, collective engagement and direct communication with companies.

Investment capabilities

Fulcrum offers three capabilities: Discretionary Strategies, Alternative Solutions and Quantitative Strategies, which are built on a set of shared values. These values are excellence, integrity, innovation, collaboration and sustainability. A summary of our three capabilities is below.

Discretionary Strategies

We invest across a broad range of liquid markets, with the aim of generating outcomes that are uncorrelated to broad market returns. As well as our flagship investment



approaches – diversified absolute return and discretionary macro – we have stand-alone capabilities in thematic equity market neutral and climate change in the equity space, and equity dispersion in the volatility space.

Alternative Solutions

We invest across liquid and illiquid alternatives including real estate, infrastructure, natural resources, alternative credit, private equity and hedge funds. The team uses its long-term relationships with third-party alternatives managers to create solutions that are tailored to meet client objectives.

Quantitative Strategies

Our suite of quantitative macro strategies leverages the latest computational techniques and more than a decade of research and development at the frontier of macroeconometrics, asset pricing, and machine learning.

We combine the insights of modern macroeconomic theory with the rigour of systematic investing in a single, coherent approach to modelling risk and return in global asset markets. Our innovative portfolio construction system can be tailored to develop both long-short and long-only solutions customised to the needs of different institutional investors.

Our three capabilities cover a wide range of different asset classes and underlying investments. We need to ensure our team is educated and incentivised to be good stewards of capital and to incorporate ESG considerations effectively.

For us, this means supporting and enabling our investment professionals to: consider and integrate ESG risks and sustainability issues in their investment decision-making; vote effectively; engage with companies and the wider industry; and communicate and interact with our clients on these issues. Given our heritage and expertise in macro investing, we concentrate our efforts across all the asset classes that we invest in; not just equities where much of the responsible investment activity has historically occurred across the industry. In our previous Report, we discussed how we have continued to develop ESG integration across our Alternative Solutions and Discretionary Strategies. We also discussed how we have started our ESG integration journey in our Quantitative Strategies capability (the ESG integration work we did for our trend following models). This year we have further developed these capabilities and will share examples of engagements, research and voting in line with our objectives.

Culture and investment beliefs

We operate with an inquisitive, thoughtful, and research-oriented culture in the pursuit of excellence on behalf of clients. This manifests itself in a focus on incremental improvements in all that we do: integrity in serving our clients day-to-day; the way we integrate sustainability considerations in our investment process; our macroeconomic research; our research on specific underlying investments and the way we approach stewardship. We have fostered a culture that emphasises a collaborative team approach within which individuals want to be part of something bigger than themselves – where being the best stewards of our clients' capital plays a central role in attracting and retaining fantastic people to manage their money in the right way.

We believe that responsible investing at Fulcrum requires an innovative, multifaceted, and integrated approach that, if done well, can lead to improved investment outcomes for clients over the long term. There are numerous examples of the factors we consider to be important in this regard including: climate risk, biodiversity, diversity and inclusion, and human rights. These are important for investment outcomes as they either directly or indirectly impact long-term value creation for shareholders, or the ability of a borrower to repay.

We also believe that diversification is not a constant, but a function of the macro environment. In this context, independent risk management is a critical component of good fund management. Crucially, risk is a broad concept and includes a wide range of sustainability-related factors that should be considered wherever possible. These risks can also meaningfully impact outcomes for clients and whether they are sustainable. We summarise our values and associated target behaviours as a business below:

Excellence	Integrity	Innovation	Collaboration	Sustainability
Each and every time we engage with clients, we endeavour to produce work of the highest quality. — We strive for investment excellence through a repeatable approach that is research-driven and evidence-based. — We must recognise our own limitations and be aware of our behavioural biases.	Integrity and honesty are at the heart of our business. We expect our people to maintain high ethical standards in everything they do. — Our clients are the real risk-takers. They are entitled to the bulk of the gains and fees should be fair. Clients should pay little for beta and nothing for luck.	We aim to challenge conventional wisdom and expand the frontier of knowledge by building on the work of academic experts and experienced practitioners. — We value reflection and continuous improvement. Even a small edge in expertise, if well defined, is of great value.	Firm-wide collaboration is integral to our success. We believe in leveraging our collective knowledge and improving decision-making through co-operation and constructive debate. We expect everyone to work as a cohesive team. — Our assets are our people. Managers are expected to foster an environment where team members feel supported and motivated.	We invest responsibly with a particular focus on mitigating climate change. — Meaningful integration of environmental, social and governance considerations requires much more than optimising "scores". — Achieving multi-dimensional diversity in our workforce is a gradual but essential process. We aim to include people from all backgrounds.

We are aware of the challenges facing the natural environment and believe that financial markets have an important role to play to create a more sustainable world.

For us, this means:

- Enabling our investment professionals to consider and integrate ESG risks in their investment decision-making.
- Channeling more capital to address ESG challenges such as climate change, biodiversity loss and anti-microbial resistance (AMR).
- Acting as good stewards of capital in the way we exercise our voting rights.
- Engaging with companies and the wider industry.
- Communicating and interacting with our clients on these issues.

Principle 2

Signatories' governance, resources and incentives support stewardship

Please refer to page 9 of our prior year Stewardship Report for details on our governance, resources and incentives that support our stewardship efforts. For each of these key areas, please find our 2024 updates below.

Governance and oversight

- As a result of more focused structure including three capabilities – Discretionary Strategies, Alternative Solutions and Quantitative Strategies – we have appointed sustainability leads per capability to ensure the effective integration of sustainability-related considerations in our investment decisions.
- Rather than having a dedicated ESG team, we believe in a fully integrated model. Our investment and research teams – bringing together economists, strategists, analysts, climate specialists, portfolio managers – work together to develop investment solutions, stay at the frontier of innovation, and contribute to the industry's knowledge.

Rahil Ram
Head of Climate Investing
& Discretionary Strategies
Sustainability Lead

Rahil Ram is Head of Climate Investing at Fulcrum Asset Management and is involved in portfolio strategy, portfolio implementation, research, sustainability and idea generation for the discretionary macro and thematic strategies. Prior to joining Fulcrum, Rahil was a strategist within the Asset Allocation team at Legal & General Investment Management for five years, during which time he completed his Masters in Actuarial Management from Bayes Business School and qualified as an Actuary in 2017.

Samriddhi Sharma
Alternative Solutions
Sustainability Lead

Samriddhi Sharma is a Director within Fulcrum's Alternative Solutions team. She leads the sustainability-related integration and engagement efforts on liquid and illiquid funds. Additionally, she works alongside the team on manager research and selection. Prior to joining Fulcrum in 2022, Samriddhi was at Ernst & Young, where she was a Senior Consultant in their Sustainable Finance team. Samriddhi holds an MSc in Environmental Policy and Regulation from LSE (2017) and LLB Law from the University of Warwick (2016).

Gino Cenedese
Quantitative Strategies Sustainability Lead

Gino Cenedese is an Executive Director in Fulcrum's Quantitative team, where he conducts quantitative research with a focus on global multi-asset strategies and climate finance. Before joining Fulcrum, he was at the Bank of England, where he worked across the Monetary Analysis, Financial Stability, and International Directorates. His research has been published in leading academic journals, including the Journal of Finance, the Journal of Financial Economics, and the Review of Finance. Gino holds a PhD in Finance from Warwick Business School.

Management Board

- As mentioned in our prior year Stewardship report, we expect Fulcrum's Co-founder Andrew Stevens to complete his gradual transition process after stepping down as CEO in 2022. We feel comfortable that the Management Board structure has been working well and the transition to Joe Davidson as Managing Partner has gone smoothly.
- The firm celebrated its 20th anniversary during the reporting period and reaffirmed its commitment to trusting, long-term relationships with clients.

Responsible Investment Committee

- During this reporting period we introduced three new members to the Responsible Investment Committee – Rahil Ram (Discretionary Strategy), Samriddhi Sharma (Alternative Solutions), Gino Cenedese (Quantitative Strategy), in line with their new roles as Sustainability Leads within their capabilities.
- This reporting period, we disbanded the ESG taskforce feeling it had achieved its original objectives. Its members have been subsumed into the Responsible Investment Committee. The ESG taskforce was set up to accelerate our sustainable investment and stewardship strategy. The key outcome of the taskforce was establishing our 3-5 year Action Plan. This is now driven by our Sustainability Leads and overseen by our Responsible Investment Committee.

Diversity, Equity & Inclusivity (DEI)

- Having made a number of enhancements to Fulcrum's approach to DEI in recent years, our DEI Group continues to advance the DEI agenda at the Firm and produced an updated DEI Policy Statement in April 2024.
- Having helped Fulcrum to evolve and embed its culture, as well as making significant changes to HR practices and processes, our Chief People Officer, Tamsin Webster has moved onto new challenges. Gabrielle Tasker, HR Associate, has replaced Tasmin Webster to continue and drive progress on DEI-related activity.

Gabrielle Tasker
HR Associate

Gabrielle Tasker is Fulcrum's HR Associate, reporting directly to the Managing Partner and COO. She leads on all HR related matters at the firm, as well as being an active member of Fulcrum's DEI committee. Prior to joining Fulcrum in 2022, Gabrielle worked in a mid-sized public sector organisation, as a HR Coordinator. Gabby holds a BSc in Geography from The University of Manchester (2019).

- From an ethnicity perspective, our representation of employees from an ethnic minority (30%) is higher than it is in the general population in the UK (15% – this is data from 2019 ONS Population Survey). However, despite this also being echoed in our Management Board (25% ethnic minority) we recognise there is still work to do within the Management and Director level populations within our business. Gender is another area where we recognise there is more work to be done. Our female representation (35%) overall reduces significantly as seniority increases. During the reporting year, our new hires have been 40% female.

Recruitment

- We are continuing to work with our recruitment partners, with a focus on social mobility and diversity in applicant pools. We have now conducted work experience programmes for the past three years and the case study below showcases our learnings.
- The reduction in staff numbers relates this year to a few different factors. Some of the departures were due to individual personal circumstances changing and some were a function of the evolution of our more focussed business structure.

Fulcrum's Work Experience Week

Activity	To support our commitment to building a diverse talent pipeline in the investment and savings industry as a whole, as well as our own pipeline, we run a week of work experience each summer, partnering with an inner-city college. During the week we offer an insight into many different aspects of asset management, as well as running a career and CV workshop to equip students with the soft skills required to get a job.
Outcome	We have now successfully run three work experience weeks, covering more than 30 students. We have received good feedback from the students on their experiences and the depth of knowledge they have acquired during their time with us. We continue to deepen our partnership with the college as time goes on, offering more throughout the year, such as workshops at the college delivered by our staff outside of the work experience weeks. We are learning more and more each year about tailoring the programme to the audience, and how to get the best out of the partnership, both for the students, and for our staff who give their time to support the initiative.

Engagement and feedback

- Overall employee satisfaction was high again in this year's staff survey, continuing the upward trajectory we have seen year on year since the survey started in 2021. We continue to embed the large changes we made to working practices, performance reviews and benefits.
- Fulcrum was ranked # 78th in The 2023 Top 100 Most Loved Workplaces® as a result of a collaboration with the Best Practice Institute (BPI), a leadership development and benchmark research company. The results were determined after surveying more than 2 million employees from businesses with workforces varying in size from 50 to more than 100,000. The list recognises companies that have created a workplace where employees feel respected, inspired, and appreciated and are at the centre of the business model. Read the press release on our website here.

Diversity Project

Activity	We continue to be involved with the wider Diversity Project (DP) and appreciate their drive for a fair, equitable and inclusive workplace. As members of the DP Small Firms initiative, we have been better able to share ideas and opportunities among firms of a similar size, enabling us to better tackle the numerous challenges associated with this area given our resource level.
Outcome	We find the Small Firms initiative to be a useful repository of practical ideas, a recent example being the delivery of online DEI related training resources.

Asset Owner Diversity Charter

Activity	We have been sending out the AODC questionnaire to asset managers to which we allocate in Fulcrum Alternative Solutions (FAS) products and are in the process of developing points of engagement with the responders. These range from offering help in the creation of DEI policies, through to specific areas of potential improvement. We plan to establish short- and medium-term objectives with each manager which will sit alongside other sustainability related points of engagement. Our goal is to help foster improvement in the way our industry is perceived by potential candidates, as well as to improve recruitment and career development practices with equity of opportunity in mind.
Outcome	This is a work in progress however DEI related topics have become a more explicit part of our manager selection and monitoring process.

Training

- In 2023 we delivered in person workshops on bullying, harassment and discrimination to all staff in small groups. We plan to embed DEI training on an ongoing basis.
- External events and conferences relating to sustainability and stewardship are often eligible for continual professional development certification, which is monitored by our compliance team. Over the past year our Head of Climate Research, Gino Cenedese, hosted a seminar on climate change. The seminar was attended by our investment and risk teams and aimed at providing a deep dive on key aspects of climate change, with the speaker and main research paper listed below:
  – Marco Becht (Université Libre de Bruxelles): *Does Paying Passive Managers to Engage Improve ESG Performance?*
- Other examples of internal events include a regular debrief by our Head of Consultant Relations on the expectations and guidance coming from the investment consultants on what fund managers should be considering when embedding ESG-related considerations in their investment decisions.

Research

- Fulcrum is mostly a top-down, macroeconomic investor, hence economic research is integral to our success. Our Quantitative Strategies team provides the broader investment team with innovative and thoughtful material which is designed to translate into our investment and stewardship activity, including ESG integration, risk considerations and engagement. Climate change is a key area for R&D with research led by Gino Cenedese. The team also benefits from our collaboration with top academics, including Marcin Kacperczyk (Professor of Finance at Imperial College Business School). We are building upon our climate research foundations and are working on key climate finance projects as part of our research agenda. Some of these projects are now completed as part of the research process, such as the projects on carbon futures and on aggregating PAI scores, others such as the projects on net zero portfolios, may have a greater impact.
- Our Quantitative Strategies team's climate change researchers (Gino Cenedese, Shangqi Han, and Marcin Kacperczyk), have presented their research at major international conferences and seminars, including the European Finance Association meetings, University of Chicago, Imperial College Business School and the Virtual Seminar on Climate Economics organised by the Federal Reserve of San Francisco. Their paper "Carbon transition risk and Net-zero portfolios" has been submitted to a leading, peer-reviewed academic journal. In this paper, they analyse net-zero portfolios (NZPs), which aim to reduce carbon footprint exposure to zero by a target date. They measure the decision and timing of divesting individual companies using a novel forward-looking measure, distance-to-exit (DTE). This calculates the distance, in years, until a company will be excluded from net zero portfolios. They find that companies with greater DTE have higher valuation ratios and lower expected returns, consistent with the hypothesis that DTE captures institutional pressure to decarbonize and thus can be a useful tool to quantify carbon-transition risk. The research has also been summarised, in industry publications, such as *ESG Investor*: https://www.esginvestor.net/carbon-transition-risk-and-net-zero-portfolios/.

Principle 3

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

Activity

We acknowledge that we may encounter conflicts whilst running our business and understand the need for a robust framework to identify them as they arise to facilitate an optimal outcome for our clients.

We identify areas where actual or potential conflicts of interest may arise and have established several policies which apply to all Fulcrum staff and which cover how we manage certain business operations, such as proxy voting, in our strategies. We maintain a Conflicts of Interest Policy[1] and we also provide a summary below of the mitigation measures for the most material conflicts we have identified:

Conflicts of Interest: mitigation measures

Information Barriers	Fulcrum does not permit any wall crossings or receipt of inside information. In the case Fulcrum inadvertently receives such information, it has established policies and procedures to create information barriers to reduce the risk of any conflicts of interest.
Proxy Voting Policy	Fulcrum will prioritise holding securities with voting rights where possible and where reasonable to do so given the strategy in question. Where a potential material conflict of interest has been identified in relation to a proxy vote, Fulcrum will call upon an independent third-party to make the voting decision or may elect not to vote. Stocks placed on the restricted list may not be voted.
Gifts and Inducements Policy	Giving or receiving gifts can create conflicts of interest. Fulcrum staff must notify the Compliance team before giving or accepting any gift or benefit from a single source, regardless of value, except for "ordinary business courtesies" that meet policy conditions.
Personal Account Dealing Policy	To prevent conflicts arising from the use of information obtained from clients, and market abuse generally, all employees are subject to personal account dealing rules.
Outside of business	Staff are required to pre-clear their outside business activities which are only permitted in limited circumstances.
Declining to act	Where Fulcrum deems that the conflict of interest cannot be managed in any other way, we may decline to act for a client.
Remuneration Policy	To ensure that Fulcrum attracts and retains the highest calibre of staff and aligns staff interests with that of the firm and of its clients.

1 Please refer to our Conflict of Interest policy here.

If any Fulcrum staff recognise a potential conflict of interest with a company or individual working at the company, they must raise this with Fulcrum's Compliance team in the first instance and as soon as practical. We seek to avoid any potential conflicts for staff members at Fulcrum arising from engagements with companies in which they have personal investments or some material personal relationship with a relevant individual at the company. In this regard, Fulcrum maintains an Outside of Business Interest policy whereby all staff members are required to disclose any interests (either by equity ownership or participation) to Fulcrum's Compliance team upon joining the firm and thereafter, on an ongoing basis. As part of Fulcrum's quarterly compliance attestation programme, staff members are required to acknowledge that amongst other things, they have read and understood this policy.

Where a staff member has a personal connection with a company, they are required to make this known and cannot be involved in any related engagement activities.

Fulcrum maintains a conflict of interest register that is reviewed annually. Where an instance of a stewardship related material conflict of interest arises, this is discussed at the Stewardship Committee and if necessary, escalated to the Management Board level. All other material conflict of interests are discussed at the Compliance Committee and if necessary, escalated to the Management Board level. All records are kept within Fulcrum's regulatory recordkeeping requirements.

Additional conflicts that are identified by Fulcrum in the future will be included within appropriate mechanisms or systems to manage those conflicts. Where we consider that there are no other means of managing the conflict or where the measures in place do not sufficiently protect client interests, the specific conflict will be disclosed to enable an informed decision whether to continue with our service in that situation.

Outcome

During 2023-2024, Fulcrum confirms there were no examples of actual or perceived conflicts of interests relating to Fulcrum's stewardship or engagement activities as part of its responsible investment process.

Investing in illiquid and liquid assets at Fulcrum Asset Management

Activity	As our Alternative Solutions business moves to invest in less liquid investments on behalf of DC pension schemes, there is a potential perceived conflict of interest, given that we also invest in listed securities in similar sectors in our Discretionary Strategies business.
Outcome	We do not believe this is a conflict in reality as our Alternative Solutions team invest via third-party managers and we have appropriate controls in place over the security of information coming into the organisation from the third-party managers.

Principle 4

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

Activity

We support the Sustainability Accounting Standards Board's (SASB) consideration of sustainability as a systemic risk because of the widespread social impacts that may occur when certain industries, entities, or institutions go through periods of operating disruption or experience widespread shocks. Our time horizon for systemic risk considerations focuses on the short and medium term (3-7 years).

Our Risk Committee is chaired by our Chief Risk Officer (CRO) Piotr Chmielowski, who is responsible for discussing market-wide and systemic risks including their potential drivers such as major geopolitical issues, climate change, and other developments such as inflation.

The Risk Committee meets on a weekly basis and includes senior individuals from across the firm, each of them bringing different perspectives and experience to the meetings. The way in which we respond to risks in terms of our investment process and decisions will vary depending on the nature of the risk in question.

The CRO and the Compliance team maintain a Risk Register which details, among others, the characteristics of identified systemic risks at the firm and their impact on our clients and wider stakeholders. This Register is reviewed every six months by our Risk and Compliance teams and discussed in the monthly Operational Risk Committee as necessary. Risks that are identified in the Risk Register must, after mitigation, result in a residual risk deemed to be compatible with Fulcrum's risk appetite.

Fulcrum's risk appetite for residual risk is determined to be generally low, except for a small number of risks where substantial mitigation is not possible and the residual risk can remain at the medium level. We also have zero tolerance for some types of risks including legal, regulatory and financial crime, amongst others. These considerations impact our collaborations, strategic priorities, and feed into our investment approach. It is also one of the reasons why we are focused on climate change which is by its nature non-diversifiable at the macroeconomic level, without ignoring other ESG risks. The PAIs are also important for monitoring and holding us to account with respect to the main ESG risks.

An example of how wider considerations are fed into our overall stewardship approach is looking at our votes, which are now focused on more than just climate – for example on DE&I, biodiversity etc. Please find evidence of this in our voting statistics under Principle 12. Additionally, there is a reciprocal relationship between our risk and research teams, where identification of market-wide and systemic risks is fed to the research team with their analysis driving our risk mitigation strategy.

On an industry level, Fulcrum senior partners participate in various events where major systemic risks are often discussed. Systemic risks and how they may affect the markets are also one of the main subjects of the conversations with our asset owner clients – e.g. the pension funds representing their members.

More generally, Fulcrum is a signatory or member of the initiatives listed under Principle 10. Collaborating with these industry bodies further aids our understanding of market-wide systemic risks and allows us to contribute to discussions that facilitate best practice and engagement. Piotr Chmielowski is also a member of the RIC, thereby enabling an important feedback loop. In addition to climate change (identified as a core systemic risk which is discussed in detail elsewhere in this Report), below we provide some examples of other key risk areas that have been discussed in our Risk Committee (and across the broader business) over the last year.

Outcome

Systemic risk examples that were discussed at Fulcrum Risk Committee:

1	Valuation Challenges and slowdown of turnover in private assets and its impact on liquidity and investments in alternative strategies (this was also flagged in the Bank of England systemic risk assessment).
2	Basis trade between bond futures and government bonds causing systemic risk – Fulcrum does not participate in the trade.
3	Potential systemic risk in dispersion and volatility trading in the equity space. Fulcrum does participate in such trades, but detailed analysis by the Investment team presented to the Risk Committee shows that this is unlikely to result in disorderly markets under reasonable circumstances. Fulcrum's trade size would not result in distorting the markets.
4	US central clearing proposed regulatory changes and moves to T+1 settlement of the US equities. The latter was implemented by Fulcrum as part of the regulatory changes meant to limit systemic risk due to settlements.
5	China's sovereign CDS, indicates a meaningful default risk which would likely have systemic consequences. Fulcrum Risk Committee set out notification limits for funds' exposures to China to oversee, and mitigate, the risk of forced liquidation of China-related assets.
6	Emerging use of credit instruments as collateral by LDI funds has potential implication for systemic risk should credit risk increase.
7	The regulatory changes proposed in the US to require central clearing of repos which may have potential systemic risk implications by negatively impacting liquidity at times of stress. Fulcrum does not participate in repo markets but is likely to be impacted.

Valuation challenges and Slowdown in turnover of private assets

Activity	We have observed that many private asset managers are finding it more challenging than is usual to raise money for new vintage funds. There appear to be multiple contributing factors, including concerns over valuations and a lagged effect of market events such as the LDI crisis in the UK (which has meant there is limited appetite amongst UK DB pension schemes for further illiquidity). There also appears to have been a reluctance to deploy 'dry powder' perhaps because managers are waiting for asset raising and broader market conditions to change (e.g. for interest rates to start coming down again). This has caused a log jam which, if it were to persist could represent a material systemic risk.
Outcome	Fulcrum currently has only modest exposure to the private markets but we have developed substantial capabilities in this area. It is becoming clearer that there is future demand from DC pension schemes for illiquid assets and market conditions appear to be improving at the margins. That said, we feel it is extremely important to be discerning over asset selection. Were this situation to worsen then there could be knock-on consequences for the liquid markets and this is something we intend to continue to monitor in our Risk Committee.

China sovereign CDS movement

Activity	The Chinese sovereign CDS market indicates a meaningful default risk which would likely have systemic consequences. This has resulted from elevated borrowing for an extended period plus concerns of Chinese economic activity.
Outcome	Our Risk Committee has set out notification limits for exposure to China within our funds in order to oversee and mitigate the risk of forced liquidation of China-related assets.

Move to T+1 settlement of US equities

Activity	US central clearing proposed regulatory changes which included a move to T+1 settlement for US equities.
Outcome	Implementing the move to T+1 settlement required our operations and trading teams, overseen by our risk team, to liaise with all relevant counterparties to move all accounts to move in line with regulation. This included ensuring all cash payment processes were in line, requiring certain operational adjustments.

Several other potential systemic risks were discussed at the Risk Committee during the reporting period including basis risks between bond futures and physical bonds, risks in the dispersion/volatility markets, the emerging use of credit instruments as collateral in LDI funds and potential regulatory changes in the US requiring central clearing of repo financing. Of these risks, Fulcrum does participate in the volatility/dispersion markets but our trading size is not viewed as likely to contribute to disorderly markets.

Finally, the Risk Committee is aware of the ongoing geopolitical risks faced in markets, for example, relating to various conflicts and elections. These are discussed regularly at Fulcrum (including in our Investment Committee meetings). We regularly produce detailed analysis on such events and share our thinking on our website and with clients. Our Discretionary Strategies are designed to be nimble to such events and our longer term alternative solutions are designed to be very diversified to mitigate such risks.

Principle 5

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

Please refer to page 22 of our prior year Stewardship Report for details on how we review our policies, assure our processes and asses the effectiveness of our stewardship activities.

There have been no material changes to our prior year review and assurance approach, however, we have engaged with a third-party agency to provide us with independent assurance on our ESG due diligence documents within our Alternative Solutions capability. Please see the case study below.

Assurance of sustainability due diligence documentation and scores

Activity	In line with the anti-greenwashing regulation in the UK, we requested a third-party provider – PIRC – to independently review a randomly selected sample of our sustainability due diligence documentation (25% sample size). Our sustainability due diligence feeds into our investment due diligence within the Alternatives Capability.
Outcome	We were generally pleased with the feedback that we received on our due diligence documentation being detail oriented and balanced. However, we were also given feedback on best practice in regards to the collation and presentation of evidence and various biases that can creep into qualitative analysis. We are using this feedback to underwrite all our due diligence documentation to ensure consistency.

A link to all of our policy documents can be found here.

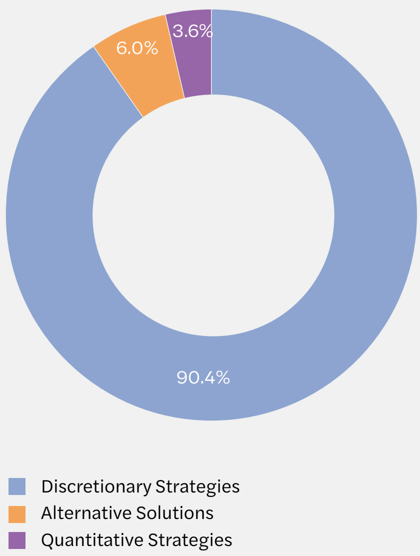
Principle 6

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

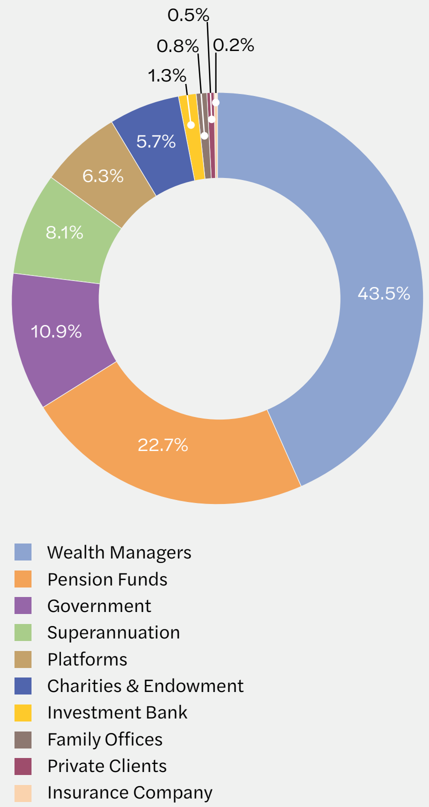
Please refer to page 24 of our prior year Stewardship Report for details on how we take our clients and beneficiaries needs into account and communicate our activities and outcomes of our stewardship and investment to them.

Please find our 2023-2024 AUM breakdown below. As of the end of June 2024, our AUM stands at $7.3 billion. Within our AUM, $6.6 billion, or 90.4% of the total, is allocated to the Discretionary Strategies. Of the remainder, 6% is invested in our Alternative Solutions capability and 3.6% represents our Quantitative Strategies capability.

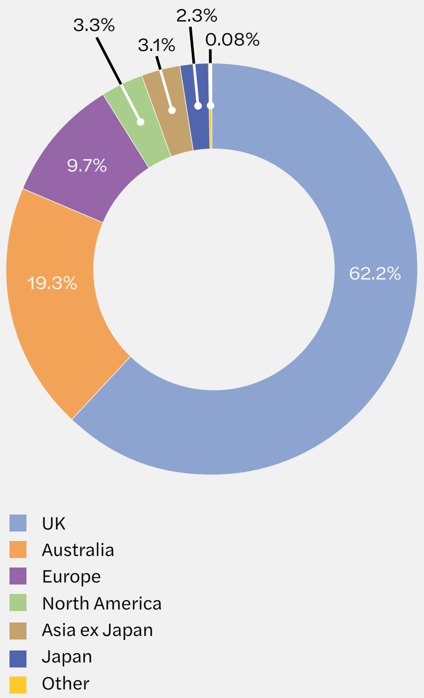
Breakdown of AUM by Capability
As at 30 June 2024



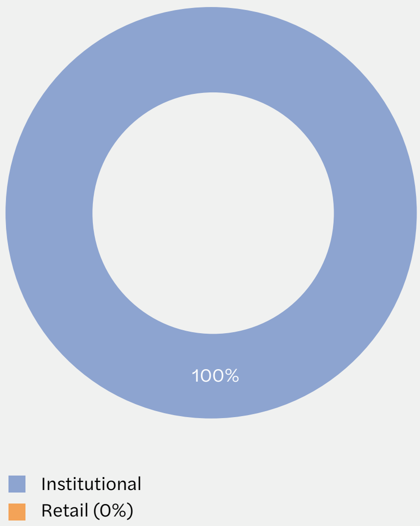
Breakdown of AUM by Investor Type
As at 30 June 2024



Breakdown of AUM by geography (client domicile). As at 30 June 2024

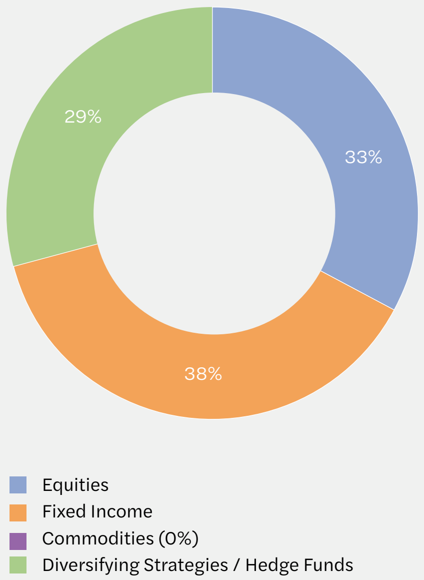


Breakdown of AUM by client base As at 30 June 2024



Fulcrum Asset Manager manages investments of institutional clients

Breakdown of AUM by asset class As at 30 June 2024



Principle 7

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

Activity

Responsible Investment has been established as one of the key strategic priorities for our firm and sustainability is one of our core values. Being a top-down, macroeconomic investor, the consideration of ESG risks is integral to our success. Our approach includes ESG integration into our investment decision-making process, effective governance and targeted engagement. The assessment of ESG risks is conducted as part of our investment analysis and we also monitor these risks whilst we hold the assets. It has been a challenge to coherently integrate multiple ESG factors given our top-down focus. However, we have made significant progress and we expect this to continue in the years ahead.

Based on feedback from our clients as to what is important to them, and as a consequence of our macro heritage, much of our work relating to ESG integration has focused on climate change. However, this year we have expanded our focus towards biodiversity loss and DEI. This is an expression of our inquisitive culture and our focus on this topic has been endorsed at our RIC and our Management Board. The depth of our work in this area reflects how important we believe it is to client outcomes and ultimately, achieving our purpose. We believe this to be a proportionate response which demonstrates our desire to make an impact whilst also recognising the constraints of our size.

We are pleased to report that we have finished developing the KPI monitoring structure that we mentioned in our previous Stewardship Report. We consider the 18 mandatory indicators—as set out by the EU's Principal Adverse Indicators (PAI) framework—when investing into companies, sovereigns, real estate assets and other types of assets (as applicable). Furthermore, we have chosen two additional principal adverse indicators, when investing into companies, relating to the lack of a deforestation policy, and the number of identified cases of severe human rights issues and incidents. We have used the indicators to construct a proprietary score ("PAI score") which is used as an input into the investment process.

Discretionary Strategies: Our flagship multi-asset capability implements a range of tactical views across a variety of different asset classes and time horizons using derivatives. ESG risks can also be an element of overall risk assessment for certain discretionary positions, for certain commodities and countries where they are most relevant. Quantitatively, the use of ESG data helps define the investment universe and sizing of certain positions (for our climate change strategy, for example), whilst qualitatively, ESG considerations may be reflected in the choice of investment themes (in our thematic equity portfolios).

The most significant sustainability-related change is the completion of a climate alignment project of our strategic equity allocation. This represents a significant milestone in Fulcrum's journey towards promoting a low-carbon economy. One of our biggest challenges is to work alongside the market to develop best practices for our asset base, as we are cognisant that derivatives form a large part of our investment universe. We continue to participate in market discussions in this space.

Climate-alignment of strategic equity allocation

Activity	In early 2023, we completed the project to shift the vast majority of our strategic equity holdings to climate-aligned companies. Such holdings represent a component of the 'dynamic asset allocation' part of Diversified Absolute Return strategy, and refer to long-only positions in companies, held directly (not via derivatives). The climate alignment has been achieved by doubling the allocation to our Fulcrum Climate Change (FCC) sub-strategy. FCC aims to only select companies whose past and future potential emissions trajectories are deemed compatible with meeting the goals of the Paris Agreement – to limit global warming to below 2°C.
Outcome	The strategic equity allocation of our flagship macro strategy is now 'climate-aligned'. The dynamic asset allocation in our flagship strategy also involves an algorithmic component that will automatically make additional and potentially shorter-term allocations to equities and other asset classes. As a result of the increased allocation, the European-registered version of the strategy has been authorised as an Article 8 fund under the EU SFDR, referring to funds that promote sustainability characteristics.

We regard climate change as one of the largest risks facing investors over the medium to long-term. Hence, our climate change strategy invests in companies that are taking steps to align their business model to the Paris Agreement's temperature target of below 2°C. The strategy invests only in companies that are below 2°C, thereby focusing on a forward looking metric that incorporates historical, present, and future potential emissions (as opposed to "low-carbon" portfolios that focus on a backward-looking historical emissions measure). Moreover, the strategy recognises that all sectors must transition to a low-carbon economy, and incorporates engagement with investee companies in support of this objective. As a member of the Net Zero Asset Managers initiative, Fulcrum has made an ambition to reach net zero emissions across its assets under management by 2050.

In our climate change strategy, in addition to allocating more internal capital as the strategy approached its three-year anniversary, we have made a number of data-driven improvements to fund construction. In particular, the strategy has a better overall Principal Adverse Indicator (PAI) score than global equities; a higher share of green revenues than global equities; a lower carbon footprint than global equities; and a better ESG Risk Score than global equities.

Thematic investing is another strategy within our discretionary strategy. Within the strategy, the relevance of ESG issues is assessed when new themes are researched and monitored. In the theme idea generation process, the exposure to ESG risks as well as ESG-related opportunities is considered (particularly long-term trends such as climate change) and ESG risks can be considered both an attractive investment opportunity or a risk signal. We assess the ESG implications within a theme based on external research, company meetings and sell-side analyst meetings. A number of the themes within the strategy are designed to take advantage of sustainability related tailwinds in our long holdings or positioned to benefit from headwinds in the short exposures.

The table below illustrates some of the key sustainability considerations that have significantly influenced our theme selection during the reporting period:

Theme	Key sustainability considerations
Long Clean Energy	Renewable energy sources minimise carbon pollution and reduce demand for dirty fossil fuels. Those alternatives are becoming more cost-effective, supported by governmental investments in innovation and grants focused on the deployment of new technologies.
Beverages vs Processed Food	Increasingly health and environmentally conscious consumers are eschewing processed food, showing a growing interest in locally sourced and/or organic products, as the health impacts of processed food are becoming more apparent. At the same time, traditional brands are under threat and being challenged from e-commerce sales where new local and niche brands are able to establish themselves and connect with consumers more quickly. This short position addresses multiple dimensions of social and financial sustainability.
Long Waste and Recycling	Increased consumer and policy-maker focus on reducing waste and adopting more circular business models.
Long Salmon	Salmon production has a smaller carbon footprint than other animal-based protein sources. It consumes less water per kilo edible than meat, has a lower feed rate and a higher edible yield. Higher ESG awareness and trends toward healthier eating practice should boost demand and benefit salmon farming.
Civil Aerospace vs Airlines	Aviation is one of the most carbon intensive forms of transportation. Reducing airline emissions involves substantial costs in innovation in more fuel-efficient engines and increased pressure on additional taxation and emission trading schemes.
Long Power Grid	Power grids are essential to allow the world to reach net zero by enabling and supporting electrification.

Quantitative Strategies

We systematically integrate ESG risk data from third-party vendors into our quantitative trend-following models. This involves increasing the risk of those countries with lower ESG scores and hence reducing their weight in portfolios. We use Sustainalytics' Country Risk Ratings to measure the risk to a country's long-term prosperity and economic development by assessing how sustainably it is managing its assets. This rating measures a country's ability to use and manage their assets in an effective and sustainable manner according to three broad groups of metrics: ESG performance; ESG trends; and ESG events. More than 30 ESG indicators are grouped into these three categories to provide a comprehensive ESG risk rating for each country. As quantitative macro investors, our strategies are implemented using derivatives, which may inherently limit opportunities for direct ESG integration through voting or engagement; nevertheless, we remain committed to incorporating ESG considerations where feasible.

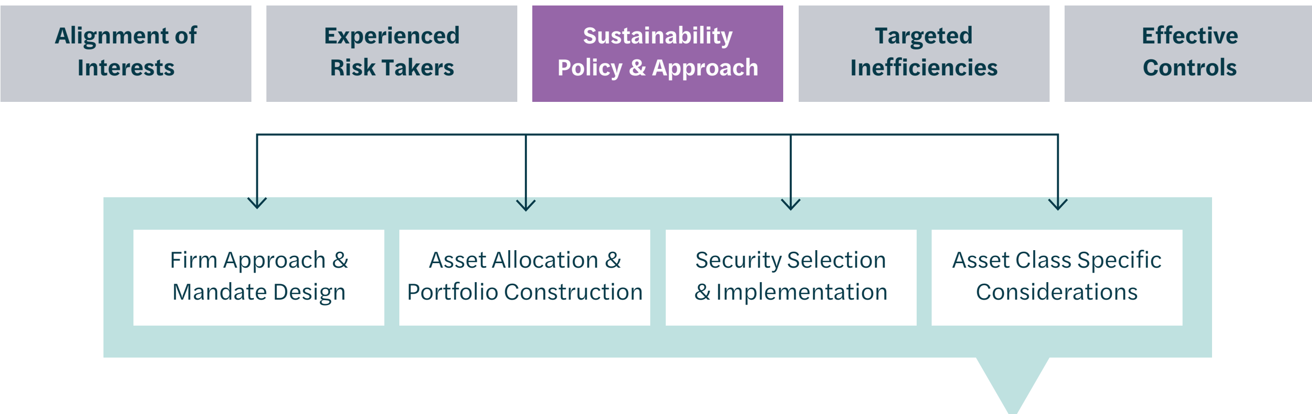
Alternative Solutions

Alternative Solutions: Sustainability and ESG integration are central to our third-party manager selection process. This involves using both third-party data/analysis as well as forming our own proprietary views on the sustainability characteristics of all investments. ESG risks are a formal part of our assessment process. The nature of the due diligence will have some general elements (such as asking third-party managers about the Principles for Responsible Investment) and some specific elements that vary depending on the asset class in question. This might include an assessment of climate transition risk for an equity fund, for example.

The below diagram illustrates how we integrate our work on third-party managers into our Four Key Factors framework. This allows comparison across different implementation routes. Our proprietary scoring system and research process has sustainability as a key consideration. We evaluate the manager, their mandate, the investment process and adjust as necessary for any asset class specific components of an investment opportunity to arrive at an aggregate score for our "Sustainability Policy and Approach" key ingredient for competitive advantage. This process scores potential investments from one to four (one represents a poor score and four represents a leading score) based on specific considerations for each investment.

Our structured sustainability research also impacts our assumptions for return and volatility, helping us proactively identify and seek out investment opportunities with positive scoring sustainability characteristics. Furthermore, our scoring process also helps with marginal decisions where two or more different implementation routes score similarly on our three other Key Factors.

We believe that "Sustainability Policy and Approach" can be a key ingredient for competitive advantage for asset managers and we use our scoring system to assess this. Importantly, it also means we can have an influence on underlying issuers through our interaction with them. Our goal is to consider ESG opportunities and risks across the entire portfolio as part of our research framework. Gradually, we expect to increase exposure to the range of investments that are rooted in sustainable characteristics.



Idea	Sub- Strategy	Target Net Return	Sustainability Adj.	Diversity Factors				Sustainability	Terms and Conditions	
				Target Volatility	Sustainability Adj.	Geography	Equity Beta	Aggregate Score	Total Fees (OCF)	Liquidity
Manager 1	High Yield	4%	+0.25%	8%	–	US	0.3	4	30bps	Daily
Bespoke Theme 1	Agricultural Technology	6%	–	15%	+0.25%	Global	1.0	4	0bps	Daily
Manager 2	Securitised Debt	4%	–	7%	–	Global	0.3	2	55bps	Daily
Objectives	**15-20**	**Cash + 4%**		**4-8%**		**Diverse**		**Aim to improve average scores over time**	**Manage within agreed cost and liquidity parameters**	

It has been over six years since we launched our Alternative Solutions team, and we continue to push for further ESG innovation in alternative investments. Leveraging our experience across Real Assets, Alternative Credit and Diversifiers we have developed a matrix of asset-specific considerations outlined below which help us score managers holistically, fairly and consistently in addition to assessing their ongoing engagement activities. We published an Integrating Sustainability Considerations in Alternative Solutions article that details ESG incorporation at each step of the investment process. The multi asset/sector nature of these portfolios gives rise to an interesting challenge that requires innovative and bespoke considerations based on the specifics of each asset class.

Asset Class	Key Sustainability Considerations: Key Ingredient Assessment and Development of Engagement Plans	Relevance of sustainability risks[2]
Real Estate	• Assessing GRESB scores, a leading benchmark for sustainability related performance in real estate. • Consideration of certifications in real estate industry such as LEED and BREEAM. • Assessing TCFD reporting including emissions metrics and scenario modelling (to assess physical risks of climate change). • Assessment of Biodiversity assessments and appraisals e.g.: Biodiversity Net Gain in the UK. • Focus on active ownership: proxy voting, engagement, tenant management. (including community management, safety, human rights adherence).	High: Physical risk of climate change and inclusion of social consideration. Moderate: Biodiversity loss.
Infrastructure	• Assessing climate scenario analysis to assess impact of physical and transition risk to the portfolio, including events such as El Nino and La Nina. • Understanding macro view and mega trends alignment/divergence. • Understanding how impact of regulatory environment impacts investment decisions e.g. Inflation Reduction Act in US. • Assessing GRESB, TCFD/TNFD reporting.	High: Physical and transition risk of climate change, biodiversity loss and inclusion of social consideration.
Natural Resources	• Assessing supply chain risks, with a deep focus on social considerations such as modern slavery, human rights, child labour health & safety, incident monitoring. • Assessment of Biodiversity assessments and appraisals e.g.: Biodiversity Net Gain in the UK. • Assessing climate modelling to understand physical and transition risk of climate change. • Encouraging working with indigenous communities.	High: Physical and transition risk of climate change, biodiversity loss and inclusion of social consideration.
High Yield	• In lieu of voting, engagement is still possible and should be prioritised by credit managers (direct and collaborative). The global credit market provides the bulk of financing to companies and should exercise their stewardship responsibilities. • Consideration of a range of sustainability issues when modelling default risks such as health & safety, governance issues, climate risks. • Incorporation of sustainability considerations during due diligence and conversations with management. • Encourage support for initiatives seeking to improve data for high yield investors (including carbon data).	High: Inclusion of social considerations. Moderate: Physical and transition risk of climate change. Low: Biodiversity loss.
Emerging Market	• Assessing integration of Just Transition considerations in issuer due diligence and engagement. • Encourage working with industry initiatives and local bodies for context specific engagement. • Support innovation and market development such as green bonds, sustainability linked bonds and engagement during the price discovery phase of new bond issues. • Understanding integration of sustainability considerations and local context in sovereign risk models such as dynamic peer group modelling. • Assessing human analysis of big data impacting risk and credit rating.	High: Just Transition. High/Moderate: Physical and transition risk of climate change and biodiversity loss.
Securitised	• The assessment of lending and mortgage serving standards to reduce the prevalence of predatory lending practices. • Encourage support for initiatives seeking to improve data and transparency in the industry. • Understand exclusion policies to define scope e.g.: exclusion on predatory lending.	High: Inclusion of social considerations. Moderate: Physical and transition risk of climate change. Low: Biodiversity loss.
Convertibles	• Integrating sustainability consideration into assessment and bond selection process. • In absence of voting rights, understanding where a manager is reviewing a new issue, engagement on bond terms to encourage greater transparency and improving practices (especially where they are made private). • Encourage support for initiatives seeking to improve data and transparency in the industry.	Moderate: Inclusion of social considerations, physical and transition risk of climate change. Low: Biodiversity loss.
Quant Hedge Funds	• Encourage support for initiatives seeking to improve data and transparency in the industry (as data availability and reliability are common issues). • Understanding key KPIs used to measure sustainability impact quantitatively.	Moderate/Low: Inclusion of social considerations, biodiversity loss, physical and transition risk of climate change.

2 Based on nature of asset class, time horizon and sectoral considerations. This illustrates how we prioritise our engagements with underlying managers.

Asset Class	Key Sustainability Considerations: Key Ingredient Assessment and Development of Engagement Plans	Relevance of sustainability risks[2]
Fundamental Hedge Funds	• Understanding the due diligence and reasoning behind the decision to short a stock vs to engage is key in assessing the sustainability of returns over the long term. • Understanding carbon accounting methodology i.e. role of shorts as an offset vs a signal. • Understanding thematic alignment and divergence on macro sustainability trends impacting portfolio construction and position sizing.	Moderate/Low: Inclusion of social considerations, biodiversity loss, physical and transition risk of climate change.
Event Driven Hedge Funds	• Assessing transaction announcement threshold to understanding minimum sustainability thresholds in place that could initiate a position and possibly lead to improved risk-adjusted returns.	Moderate/Low: Inclusion of social considerations, biodiversity loss, physical and transition risk of climate change.

Consideration of E, S & G risks

A. Environmental risks: We place particular importance on risks stemming from climate change, including physical risks, transition risks and liability risks. As an example, the Fulcrum Climate Change strategy is designed around the concept of climate 'alignment', in which it uses an Implied Temperature Rise (ITR) metric to assess alignment with the Paris Agreement. Another significant environmental risk relates to the degradation of biodiversity. Although this risk has global implications, it is more localised in nature and impact. Whilst we have started to think about specific biodiversity ideas in our portfolio, including embedding biodiversity metrics within our PAIs and searching for managers invested in nature-based solutions within our Alternative Solutions capability, we are still nascent in implementing these ideas in our portfolio. However, this is part of our long-term Action Plan. We are working to understand the landscape in industry and data availability, in much the same way we did for climate change.

B. Social risks: While we mainly focus on environmental factors in our assessment of sustainability metrics, we have adopted a custom voting policy from our proxy adviser (the 'Climate Policy' from proxy advisor Glass Lewis) which contains 'triggers' that will automatically determine a vote against the (re-)appointment of directors at investee companies and/or their pay packages, in the case where their companies fall short of environmental or social expectations. Example of social trigger includes companies that are deemed to fall short of internationally accepted labour and human rights standards (such as the UN Global Compact).

   Moreover, as discussed in the report, our composite Principal Adverse Indicator (PAI) score takes into account PAIs relating to controversies (breaches of UN and OECD guidelines, and identified cases of severe human rights incidents).

C. Governance risks: The consideration of governance risks is instrumental to our investment decisions, and these include both corporate and sovereign risks. As stewards of our clients' capital, governance is a topic considered during preliminary due diligence and is essential to our engagement approach. It is especially pertinent in the escalation process triggered through ESG engagement (where meaningful engagement without good governance is extremely challenging). Additionally, proxy voting represents an important avenue to reflect and respond to ESG risks. In 2023, we upgraded our voting policy to sanction companies where:

   - Large and mid-cap companies have fewer than 30% women on their boards.
   - There is no explicit disclosure of environmental and social oversight at board level.
   - There is no sustainability disclosure in line with established frameworks (such as TCFD, SASB or CDP).
   - There is no greenhouse gas emissions reduction target (or, for a subset of companies, there is no net zero target).
   - Companies are not signatories or participants in the United Nations Global Compact ("UNGC") or have not adopted a human rights policy that is aligned with the standards set forth by the International Labour Organization ("ILO") or the Universal Declaration on Human Rights ("UDHR").
   - No environmental and social criteria are used in the scorecard for executives' pay.

On the sovereign side, we consider such risks in our Risk Committee led by our Chief Risk Officer. It is within the remit of the Risk Committee to consider such risks for sovereign bonds should the holdings in bonds issued by high-risk countries be material for the funds.

ESG integration will vary across our capabilities as we work towards our commitments, avoid risks, and realise opportunities. As we action our transition plan to reach our sustainability goals, collaboration both internally and externally will allow us to innovate, better integrate ESG considerations within our capabilities and have real world impact.

Outcomes

Launching the Long Term Asset Fund within our Alternative Solutions capability

Activity

Our illiquid strategy enables us to focus on sustainability considerations in three new ways:

1. Long-term ownership of asset: The long-term investment horizon enables thoughtful sustainability objectives to be realised and reflected in the financial value of the business. Additionally, having more control will provide us with the ability to drive change in a way that is more challenging in listed markets.

2. Deal level decarbonisation strategy: This allows us the opportunity for greater and more targeted engagement by placing value creation derived from sustainability considerations at the heart of the deals we invest in. We believe this will complement and strengthen our existing manager level engagement. On an asset class level, this would include aspects such as:

    a. Real Estate: Improving energy efficiency, building solar panels & EV charging ports on our real estate assets to improve environmental credentials while minimising social and biodiversity risks through thoughtful sourcing and implementation of improvement strategies.
    b. Infrastructure: Funding projects required for a net zero future, such as wind farms, solar parks and energy storage facilities.
    c. Natural Resources: Active ownership and funding of natural resource projects that mitigate biodiversity loss, while providing environmental solutions to mainstream practices such as biofuels and vertical farms. In the case of timberland, this may involve upgrading the certification of the forest or conducting environmental restoration projects.
    d. Alternative Credit: Building sustainability ratchets, both positive and negative in private loan and direct lending practice. While still nascent, we are working with managers to explore how and when this mechanism can be most effectively employed when deploying capital.
    e. Private Equity & Venture Capital: Deploying capital focusing on social and environmental challenges including funding climate tech solutions to address the climate crisis.

3. Allocating to sustainability solutions: In our recent thought piece 'Buying is Good, Building is Better', we discuss that real-world change can be created through our investments by funding the creation or improvement of sustainable assets and companies instead of just passively owning existing ones. A key tenet to our private markets allocations is the idea that to reach net zero and meet the world's sustainability goals we collectively need to deploy fresh capital to solve these problems. We need to build new renewable power generation facilities, new battery storage sites, install new home heating systems and improve the efficiency of our buildings at a much faster rate. We look forward to actively support solutions that address key issues such as climate change and biodiversity loss.

Outcome

All of our illiquid deals consider both sustainability-related risks as well as potential enhancement opportunities. We launched this strategy in Q2 2024 and look forward to sharing how we consider stewardship more actively in next year's report.

Our stewardship approach and engagement themes were workshopped with our clients to ensure that the strategy aligns with their long-term sustainability goals – Climate Change, Biodiversity Loss, Anti-Microbial Resistance and DEI.

Investing in Climate Solutions within Fulcrum's Climate Change Fund

Activity	Investing in companies providing solutions to allow the world to decarbonise.
Outcome	We have a climate solutions strategy that invests in those companies that provide solutions that will allow the world to transition to a low-carbon economy. From our third-party research access and meetings with company management, we are able to gather the relevant contribution of different companies to climate solutions, e.g. high-voltage cables, power grids, heat pumps, and so on. In addition, we carefully assess the companies' financial and fundamental metrics to gauge the sustainability of their business models and solutions, and hence their attractiveness as investments.

Principle 8

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

Activity

Fulcrum engages with several third parties in pursuit of our stewardship objectives:

A. External managers
B. Proxy voting firms
C. ESG data providers

External managers

Several strategies we manage include strategic allocations to external funds as part of their investment mandate and thus invest in collective investment schemes managed by other investment managers. This represents c.6% of firmwide assets under management. Fulcrum performs in-depth initial due diligence prior to making an investment which includes an assessment of a third-party manager's commitment to stewardship and alignment with Fulcrum's own beliefs, with findings documented in investment and operational due diligence reports. This assessment is updated on an ongoing basis by Fulcrum's Alternative Solutions team during the investment holding period through a combination of desk-based reviews of fund and manager documentation, and direct communications with external managers. It includes for example whether the external managers are signatories to the PRI and Stewardship Code.

Proxy voting firms

Fulcrum has established and maintains a Proxy Voting Policy which is the governing document for the use and management of Glass Lewis, our third-party service provider in relation to proxy voting. Assessment of the effectiveness of each proxy voting provider falls under the scope of Fulcrum's Stewardship Committee. On a quarterly basis the Stewardship Committee reviews, amongst other things, the quality of the third-party proxy voting advisor's recommendations.

The key indicators used to monitor the effectiveness of a proxy advisor are:

a) the quality of the advice provided, and
b) the timeliness of the advice provided.

Fulcrum retains discretion as to whether it acts on the advice of the proxy advisor or decides to take a different course of action, and we capture and record instances in which the firm has voted against the proxy advice recommendation (as well as the rationale). The frequency with which we vote differently from the main recommendations of our preferred voting advisor, Glass Lewis, is recorded in the Pension and Lifetime Savings Association (PLSA) reporting template which we produce and share externally on a quarterly basis. Our target is not to "go against" our proxy adviser but in certain circumstances this can be necessary where we do not believe that the provider is aligned with our views. This has been the second full proxy season where Glass Lewis's Climate Policy was in operation, which we have adopted as our default recommendations to hold companies to a higher sustainability standard. Nonetheless, we have made provisions in our approach to allow for overrides versus this guidance should we believe it to be necessary. To monitor the application of our policy, over 200 significant or controversial votes have been flagged to the Stewardship Committee over the past year. We are generally satisfied that the policy is in line with our intentions – with the recommendations remaining unchanged, following an internal review, in circa the majority of these votes (a similar percentage to the previous year).

We did identify a few areas where we repeatedly diverged from our proxy adviser,[3] and we communicated our stance in a feedback session with Glass Lewis. As our proprietary scoring methodologies develop, we may consider integrating them into a bespoke voting policy. We are also open to discussions with clients who are interested in developing bespoke mandates and associated voting policies.

Transparency is important for stewardship; following engagement with Glass Lewis, in 2022 we decided to adopt their Vote Disclosure Service, displaying all our votes the day after the AGM, available on their website here. We intend to continue to engage with Glass Lewis, particularly on improving the voting rationales communicated to investee companies.

ESG data providers

Our approach is to combine third-party data with our own proprietary analysis, with the combination depending on the capability under consideration. As climate change has been the biggest thematic focus of our stewardship efforts, we have relied most heavily on 'E'-related data, drawing on multiple data providers to give us a more rounded view of companies' policies and progress as seen in the table below. We often hear that there are issues with ESG data, and we understand this concern. Nevertheless, our philosophy is that if there is no engagement on data, then it will not improve. That is why we regularly review and engage with data providers. We have had multiple one-to-one sessions to understand the climate methodologies of providers of carbon and sustainability data; and we have also participated in collaborative initiatives to improve the quality of data.

Data provider	Purpose
Sustainalytics	ESG Country Risk data (used in certain systematic strategies), activity involvement (used for firm-wide exclusions), carbon data (used for reporting), principal adverse impact (for reporting, and the basis of our proprietary PAI score). Data on fossil fuel holdings (primarily thermal coal mining and oil sands expansion), used to support Fulcrum's net zero commitments and restrict exposure to misaligned activities in relevant funds. This year we expanded our data set to include all 27-product involvement information from Sustainalytics (beyond our firmwide and fund-wide exclusions). The reason behind our decision to broaden our data set and boost transparency in client reporting.
MSCI	Activity involvement (currently relating to tobacco, controversial weapons and predatory lending, used for firm-wide exclusions). Temperature alignment.
S&P Global Trucost	Temperature alignment.
SBTi	Corporate climate targets.
CDP	Carbon data, corporate climate targets and policies.
InfluenceMap	Data on companies' lobbying efforts on climate change to support stewardship.
Bloomberg	Data on the sustainability profile of executive pay structures and company activities, to support stewardship. Temperature alignment.
ESG for Investors	Publicly available data on potential share price upside from improving corporate sustainability used to support engagement.

3 In particular: (1) what Glass Lewis deemed antisocial proposals (whereby a proponent's history of advocacy against sustainability measures was deemed a reason to vote against the proposal. We based our final decisions based on the merits of the proposal alone, not its proponent.); and (2) the analysis of emissions targets. The absence of long-term net-zero targets for priority companies was occasionally outweighed by the presence of shorter-term emission targets (particularly if validated by the Science-Based Targets initiative).

Outcome

Biodiversity data provider search

Activity	We are currently conducting a comprehensive search of data providers in the industry to identify a provider to support us with our increased focus on the identification and mitigation of biodiversity loss in our portfolios.
Outcome	We hope that enhanced data will aid reporting and decision-making i.e. through the identification of risks where they were deemed material. However, we have realised that the data landscape is very fragmented not only because of poor and inconsistent reporting by companies but the inherent difficulty in measuring biodiversity in a uniform manner. Getting high quality data will be a multi-year project, nevertheless, we are using a series of patch-work data and partnering with industry initiatives to get started on the journey to better integrate and engage on biodiversity-related issues.

Engagement with Glass Lewis to expand identification of key votes

Activity	We engaged with Glass Lewis to help us better identify key votes to focus our in-house research in addition to using the Glass Lewis Climate Policy. We broke down these votes in three tiers – 1. Climate Action 100+ Companies, 2. Companies where GHG emissions represent material risk defined by SASB and 3. All other companies. These are outlined under Principle 12.
Outcome	We believe the outcome of this upgrade would enable our investment team to target their research on votes flagged through this tiered system.

Principle 9

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

Given the nature and shape of our business, our culture and purpose, we have a multifaceted approach to engagement across all stakeholders including underlying companies, service providers and external managers. As a firm, we have decided to prioritise and focus on climate change as a significant environmental risk as part of our portfolio management and engagement with stakeholders. However, we are now looking holistically at how climate change risks affect broader environmental and social risks and are therefore striving to embed these in our engagement. These efforts are complemented by our voting policy which aims to hold companies accountable across broader E, S and G topics.

We believe that proactive and considered engagement is one of the best ways we can have an impact. It is important to note that our engagement varies by capability (given the nature of the underlying investments – i.e. physical vs. derivative investments) and currently the majority of our engagement work occurs in our Thematic Equities, Climate-Aligned and Alternative Solutions investment capabilities in line with our physically held assets.

We engage both individually with underlying companies and managers (as seen in this section) and collectively through industry initiatives (as seen under Principle 10). On the equity side, this request primarily consists of calling on companies to set Science-Based Targets or other sustainability-related requests. On the alternatives side, engagement focuses on requests laid out in our bespoke engagement plans.

Discretionary Strategies

Our equity investment approach is thematic by its nature and consequently, we own large numbers of stocks in very diversified portfolios. However, the nature of climate change as an undiversifiable macro risk – coupled with our awareness of the potential for capturing 'transition alpha' as climate factors get priced by the market – has led us to focus our initial engagements in this area.

In 2024 we enhanced our engagement approach to focus on ten names (as seen in the table below). Our ten-name engagement strategy is a long-only European equity strategy which invests in companies that are essential to the transition to a low carbon economy but are lagging on their sustainability credentials. As an example, these companies have not set science-based decarbonisation targets while in many cases their peers have set such targets. The names on the engagement list below have been selected for inclusion into a concentrated equity strategy, reflecting our belief that there is share price upside from improvements in sustainability.

Moreover, our clients have also expressed their interest in novel areas like biodiversity and antimicrobial resistance. Given that this aligns with our beliefs and our focus on long-term constructive outcomes, we have identified a handful of companies to engage with in these areas and have decided to update our ten-name engagement strategy to reflect our increased focus beyond climate change.

We seek to improve sustainability credentials of investee companies through engagement (direct and/or collaborative). Given the size of our assets under management, we believe that we are more likely to see positive outcomes through collaborative engagement by lending our voice and research to existing initiatives, such as Climate Action 100+ and Spring Initiative.

Below, we list our updated ten-name engagement strategy, along with the rationale for each engagement.

Name	Initiative Alignment	Engagement Theme	Main Area(s) of Engagement
ArcelorMittal	CA100+	Climate	• Disclosure of GHG emissions. • Net zero ambitions verified by SBTi. • Committed to the principles of a Just Transition.
E. ON	CA100+	Climate	• Disclosure of GHG emissions. • Net zero ambitions verified by SBTi.
Yara International	FAIRR	AMR	• Tackling disposal of waste, including manure and urine. • Assessing risk and likelihood of AMR from their fertilisers, including organic-based fertilisers. • Engaging with farmers on AMR risks and mitigation solutions as well as upscaling best nutrient management practices.
Rio Tinto	CA100+	Climate	• Targets aligned with the goal of limiting global warming to 1.5 degree Celsius and verified by SBTi.
BHP Group	CA100+	Climate	• Targets aligned with the goal of limiting global warming to 1.5 degree Celsius and verified by SBTi.
Safestore Holdings		Climate	• Net zero target setting (short, mid and long-term) SBTi verified GHG reduction ambitions, governance, capital allocation, commitment to Just Transition.
Big Yellow		Climate	• Net zero target setting (short, mid and long-term) SBTi verified GHG reduction ambitions, governance, capital allocation, commitment to Just Transition.
Neste	Spring Initiative	Biodiversity	• We are participating in a PRI Spring led initiative and will be guided by them on the methodology, engagement approach and ambitions.
Norsk Hydro	Spring Initiative	Biodiversity	• We are participating in a PRI Spring led initiative and will be guided by them on the methodology, engagement approach and ambitions.
Veolia		Climate	• Net zero target setting (short, mid and long-term) SBTi verified GHG reduction ambitions, governance, capital allocation, commitment to Just Transition.

As we look forward to providing more information and innovation in our next stewardship report, please refer to the outcomes section for engagement case studies during the reporting period.

Alignment with voting

Our engagement stance is echoed by our voting policy. Beginning in 2023, we are now voting against companies that:

- Have no targets to reduce their emissions and/or do not disclose information in line with recognised disclosure frameworks. This is a minimum expectation – for certain high-profile companies, our expectations are higher, with our policy sanctioning the chair of the sustainability committee or the board if the company has not set ambitious, science based targets
- Are not signatories or participants in the United Nations Global Compact ("UNGC") or that have not adopted a human rights policy that is aligned with the standards set forth by the International Labour Organization ("ILO") or the Universal Declaration on Human Rights ("UDHR")
- Do not have environmental or social metrics as part of directors' pay indicators

From the 1st of July 2023 to end of June 2024, we have cast:

- Over 4290 votes against companies due to environmental or social reasons, such as the lack of disclosure, targets, or diversity
- c. 2900 votes against directors for environmental reasons
- Over 1070 votes against pay packages due to concerns around the management of material environmental and social risks

Alternative Solutions:

Since inception, there has been a drive to integrate sustainability considerations in the decision making of the portfolio. In 2022, we expanded our approach from creating a fund that integrates sustainability to one that encourages innovation and thus engagement is now firmly at the heart of our sustainability strategy.

This is primarily due to the creation and subsequent communication of our short and mid-term engagement areas with our external managers. In Q1 2024, we did the first annual review of our engagement plans (which were communicated to our managers in Q1 2023). We have felt a positive difference in how the engagement plans drive thoughtful, focused and tangible outcomes. We have also observed managers thinking deeply about these engagement plans and where action has been challenging, they have asked us questions allowing for a more collaborative engagement approach.

The reason we have chosen to create bespoke engagement plans is due to the inherent comparability challenge faced by a multi-asset portfolio. We are mindful that focusing purely on improving our sustainability scores and lowering our carbon intensity figure can be reductive. Therefore, a hybrid approach where we layer qualitative engagement with these two data points allows us to challenge and learn from our managers on their sustainability considerations. Our engagement and escalation approach is guided by our engagement policy, which can be found here.

The area of engagement that we focus on with external managers depends on the extent to which sustainability-related integration is effective in their business and investment processes. For example, we have engaged with small hedge fund managers who are very new to sustainability considerations, and we have also dealt with much larger, more established asset managers. We understand and appreciate that the level of maturity varies and therefore have curated short and mid-term engagement plans unique to each manager to ensure an effective discussion.

Engagement with BNP Paribas on fossil fuel financing

Activity

BNP Paribas was a significant fossil financier, despite multiple sustainability commitments. We joined investors managing $1.5tn+ as part of a campaign by responsible investment NGO ShareAction, calling on the bank to halt the financing of new fossil projects; a natural first step towards the ultimate wind-down or disposal of the 'brown' loan book.

Outcome

Our position has been featured in the media:

And there could be financial benefits to employing the approach, according to Fawaz Chaudhry, head of equities and partner at Fulcrum Asset Management. London-based Fulcrum signed the letter sent to BNP Paribas because "a cleaner loan portfolio would help improve BNP's cost of capital, reduce reputational risk and support the company's stated ambitions to be a leader in sustainable financing," said Chaudhry.
– Bloomberg

The company has tightened its fossil policy, pledging to halt financing for new oil and gas. On 5th May 2024, Bloomberg reported that BNP has gradually been limiting oil and gas clients' access to financing as the bank contends with ever stricter ESG regulations in Europe, as well as a lawsuit brought by climate activists in 2023. At the same time, BNP has continued to step up its presence in sustainable finance and is now the biggest underwriter of green bonds globally.[4]

Engagement with AP Moeller-Maersk on their climate transition plan

Activity

The company is a key engagement aside from the ten names listed above. We have been engaging with Maersk for a few years as we believe that improvements in sustainability can unlock upside for the company. We think an accelerated transition to green fuels for shipping is needed for the company to retain its competitive advantage and industry leadership.

Outcome

We wrote to the company outlining our expectations in 2022, and have been in regular discussions with them since. Please note this is not a part of our dedicated engagement list, but was organically carried out as part of our investment process.

4 https://blinks.bloomberg.com/news/stories/SDJ0W7T0G1KW

Engagement with AP Stantec on their climate transition plan

Activity	We met Stantec's team and talked to them about science-based decarbonisation target. We look to raise awareness around science-based decarbonisation targets for companies that we meet. Given our size, we appreciate that we cannot carry thorough engagement across our large number of holdings. Instead, we have a ten-name engagement list (please refer to the table above) through which we engage with companies more thoroughly.
Outcome	Stantec is well aware of SBTi and they set a target around 2021. The aim of the conversation was to understand whether they were on track towards their target. They are a "climate solution provider"; they are an engineering firm that delivers integrated climate change solutions. Stantec helps clients reduce environmental impacts and adapt to the changing climate. They have mobilised their services around initiatives that support their clients' climate change mitigation and adaptation goals: Energy Transition, Smart Cities, Ecosystem Restoration, Coastal Resilience, Net Zero and net positive buildings.

Encouraging our commodity manager to develop a sustainability action plan

Activity	Our commodity manager uses synthetic instruments to invest in commodities, thereby creating challenges from an ESG integration and engagement perspective. Nevertheless, we encouraged our manager to develop a sustainability action plan by leveraging on industry guidance, in particular by the IIGCC. This was part of our short-term engagement plan with the manager.
Outcome	Our manager wrote a White Paper on the challenges of integrating responsible investing in commodity future investing, which led to a creation of their Responsible Commodity Investment Action Plan highlighting how they can meaningfully invest with a sustainability perspective. Their action plan includes seven steps that place sustainability considerations in their portfolio construction process. This includes the use of exclusions, employing an inclusionary process to bring fair-value assessments to commodities, avoiding physical delivery and holding physical inventory, engaging with exchanges, and recognising the role of carbon markets as an addition to the traditional commodity future universe. While we are comfortable with their current strategy, we will continue to engage with them on two key themes: 1. Engagement with exchanges and 2. How they are able to add value to the portfolio through inclusion and innovation in emission futures and carbon markets.

Railway Holding Engagement with Real Asset Manager

Activity

We recently had a detailed engagement with our infrastructure manager on their Norfolk Southern Corporation holding. In 2023, a Norfolk Southern Corporation train has derailed in East Palestine, Ohio, USA. It was carrying hazardous chemicals including vinyl chloride, a carcinogenic petrochemical gas used in plastic production, which have spilled as a result of the accident and another derailment more recently in Pennsylvania resulting in oil spills and plastic pellets into the nearby river. We asked them the following questions:

1. What was their response after the derailment? I.e. did it have an impact on their engagement with the company (direct and vote against management).
2. To what extent is investor pressure to improve efficiency responsible for the derailment?
3. How had their sustainability assessment evolved as a result of the incidents?

Outcome

The key post incident strategy of our manager was to proactively reach out to Norfolk Southern Corporation and understand the reason for the derailment. On the back of the initial discussion, our manager met with the company's management (including CEO, CFO and COO) five times. In the first of those meetings Norfolk Southern provided detailed information about what had caused the derailment and a six-point plan detailing how they planned to reduce the risk of a similar accident happening in the future. Additional details included identifying the % of hazardous materials carried by Norfolk Southern, assessing maintenance records, understanding post derailment protocol and the safety mechanisms in place. They sent through details of this information and based on preliminary findings; we were relatively comfortable with their engagement with Norfolk Southern.

Our manager also voted against the re-appointment of Michael Lockhart to the NSC Board, who was the chair of the Company's safety committee at the time of the East Palestine derailment. They also voted against the company's executive remuneration structure, mainly because the clawback policy was not expanded to include factors such as safety. We will be monitoring their participation in the upcoming proxy season.

More broadly, the manager captured the issues raised by these events through changes to the company's quality score, where the environmental score in particular was downgraded.

Additionally, we have augmented our manager Engagement Plan to discuss and debate the role of investor pressure in derailment risks, in particular the adoption of Precision Scheduled Railroading (PSR).

While we are aware that efficient railroads and freight trains have a large role to play as we decarbonise our economies (as they have lower carbon emissions than trucks), we need to be mindful that increased efficiency could come at the cost of safety issues, which can be catastrophic (not only to human life but also the environment e.g.: trains carrying oil/volatile materials crashing). We will continue to engage with our infrastructure managers who hold railways on how they are ensuring transparency, accountability and promoting long-term safety when engaging with management.

Thoughtful and targeted engagement using our Engagement Plans

Activity	To better understand how managers are aligned to our engagement plans, we have started to focus our attention on assessing the manager's approach to select holdings that we have flagged as high risk due to concentration in the portfolio, sector exposure, Sustainalytics assessments and/or desktop research.
Outcome	This has been particularly insightful as it allows us to assess day-to-day integration of sustainability considerations. It also allows us to monitor the discipline of the investment team when documenting credit notes, analyst reports and sustainability scores for the given holding/issuer. Interestingly our smaller managers, who tend to have weaker sustainability reporting, were able to respond to our queries in a thoughtful and timely manner. We also found consistency in their sustainability approach. Our larger managers were much slower with their response alluding to communication challenges between the sustainability and investment teams as well as a lack of consistency in the process between analysts. This was particularly pronounced with one of our credit managers where their US investment team lacked leadership in embedding sustainability considerations in credit analysis. This led us to downgrade their sustainability score (we downgraded their Firm & Mandate Design score to 3.0 from 4.0 and their Security Selection score to 2.0 from 3.0). We also strongly recommended that they appoint a sustainability champion(s) in the investment team whose performance KPIs are aligned towards improving sustainability-related integration and engagement. We will also be monitoring their security selection closely going forward.

Delving into our manager's WACI methodology

Activity	Similar to last year, we looked beyond the WACI figure provided to us by our managers and questioned their methodology. This was especially true in cases where there was a shift in the WACI figure compared to the previous year.
Outcome	This exercise helped to keep a disciplined approach in questioning the data given to us by our managers and ensuring that it aligns with our understanding. Interestingly it created a bridge between questioning the security selection of a fund through both an investment and sustainability lens. E.g.: why a certain security was selected even though it increased the portfolio's WACI and there is an engagement plan in place to address this issue.

Principle 10

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

Whilst it is our ambition to 'punch above the weight' of our assets, we are equally mindful of the importance of 'strength in numbers'. That is why we will seek to collaborate with like-minded investors on promoting more sustainable markets.

In addition to the list of industry affiliations (below), where we deem it to be of significant importance/ interest to our clients, we also commit to liaising with regulators and other industry bodies in an appropriate manner. Our macro research team produces nowcasts for major economic indicators and is regularly is in dialogue with global central banks and major asset owners.

We expect that, given the size of our business and the nature of our investment processes, we are most likely to have an impact on underlying company and government behaviours by being involved in collaborative engagement activities. We fully intend to vote our shares wherever possible and we will use our vote to express our opinions, but collaboration is likely to be our most powerful tool.

Industry collaborations we supported during the reporting period include:

Activity	Outcome
Net Zero Asset Manager Initiative	• We are signatory to the Net Zero Asset Managers Initiative and committed to support the goal of net zero greenhouse gas ('GHG') emissions by 2050. • We have submitted our first interim targets in 2022, which can be found on their website here.
CDP	• We are a supporter of their collective engagement campaigns (on emissions disclosure and targets).
The Institutional Investor Group of Climate Change (IIGCC)	• We joined the Asset Owner Stewardship working group in 2024. We look forward to sharing outcomes from the group next year. • We are part of the Renewable Energy Working Group of the IIGCC. The group is involved in defining renewable energy climate solutions.
Science Based Target Initiative	• We are a supporter of the initiative. • We call on companies to set SBTs, both directly through our engagements and voting (sanctioning certain priority companies if they do not have set SBTs). We also engage on target setting using SBT collectively through initiatives like CDP.

5 For a recent example, the New York Fed referenced and incorporated aspects of Fulcrum's nowcasting methodology into their own work: https://www.newyork-fed.org/medialibrary/media/research/blog/2023/NYFed-Staff-Nowcast_technical-paper

Activity	Outcome
Climate Action 100+	• We signed up as supporters of Climate Action 100+ to aid our engagement efforts and show our support of its work on decarbonisation. • We are actively supporting engagements with BP under Climate Action 100+.
Investor Coalition for Equal Votes (ICEV)	• We were the first asset manager to join ICEV, a coalition launched by leading UK and US pension funds, calling on companies to improve the governance by upholding the democratic 'one share, one vote' principle. • ICEV aims to achieve this by: "Organising virtual (or in person, where relevant) engagements with pre-IPO companies, their counsel and advisors, and other financial market participants", and by "supporting the advancement of equal voting rights regulation and legislation where practicable and most effective."
Pensions for Purpose (P4P)	• We are members of Pensions for Purpose (P4P).
Girls Are Investors (GAIN)	• Joined the initiative in 2022. • We continue to partner with GAIN and to use them to source interns as and when needed. • One of our ESG specialists is also a mentor and panelist for the program.
Diversity Project	• We joined the Diversity Project in 2022. • The Chair of our DEI Forum and Head of Investor Relations are all active participants of key committees as part of this membership.
Asset Owner Diversity Charter	• As an asset owner within our Alternative Solutions team, we have also signed up to the Asset Owners Diversity Charter, to help drive forward the integration and improvement of DEI-related policies across the asset management industry.

Joined PRI Spring Initative for nature, convening institutional investors to use their influence to halt and reverse global biodiversity loss by 2030

Activity	We recognise the role that we as investors can play to halt and reverse forest loss and land degradation as a key driver of biodiversity loss, including through investor stewardship. Therefore, we decided to joined the initiative as a collaborating investor and in Q3 2024 will begin our multi-year-long engaging with two focus companies: Neste and Norsk Hydro alongside other investors.
Outcome	Due to the nascency of our collaboration with Spring, we are yet to have any key engagement outcomes. We look forward to sharing these with you in our report next year.

In addition to working alongside key industry initiative listed above, we have also been an active voice on sustainability issues:

- We have lent our support to the joint statement by Principles for Responsible Investment, London Stock Exchange Group, the World Business Council for Sustainable Development and the United Nations Sustainable Stock Exchanges Initiative calling on jurisdictions to commit by 2025 to adopting ISSB standards. This can be accessed at https://www.unpri.org/driving-meaningful-data/joint-statement-from-lseg-pri-un-sse-and-wbcsd-on-issb-standards/12426.article
- Early July, as a signatory of PRI, we took part in a joint industry statement for the new UK Prime Minister, Keir Starmer, from the CEOs of PRI, UKSIF and IIGCC, in which the three organisations urge the new PM to create a supportive policy environment in order to fully seize the economic, social, and environmental opportunities presented by the transition to net zero by 2050.
- Fulcrum continued to participate as a co-signer to the CDP's Non-Disclosure Campaign with the aim of encouraging tens of thousands of corporations to disclose information related to climate, forests and water through their integrated questionnaire. The information will be used to provide CDP signatories with the largest and most comprehensive collection of self-reported corporate environmental data available worldwide.
- We signed an Investor Action on AMR Public Investor Statement to policymakers in May 2024. We signed the letter to stress our concerns regarding AMR as a system-ic risk to investment portfolios, economic stability and to broader society.

Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

Activity

This year we formalised our escalation process, details can be found in our Engagement Policy (and for further details on our approach to exclusions, please see our Responsible Investment Policy).

As noted in Principle 9, there are three areas of Fulcrum's business where engagement is most applicable and hence where escalation is sometimes required. Our escalation approach may differ to traditional bottom-up methods used by stock-pickers. We have designed it to be consistent with our business model and the predominantly top-down nature of our investment capabilities. We address each of these below.

Discretionary Strategies

In our engagement, our aim is to initiate a dialogue with companies directly, in the first instance. In the case of an unsuccessful (attempt at) engagement – namely in our concentrated engagement policy – we will seek to leverage the variety of tools at our disposal, including our membership in investor networks that conduct collective engagement, the ability to vote (or file proposals) at companies' annual general meetings. Where appropriate, we may seek to apply public pressure through public statements in the media or in our reporting. Finally, if we feel a company's unmanaged ESG risks have reached an unacceptable level, we may sell or take a short position in a company's securities.

During the reporting period, there have not been any instances where we have escalated to the point of divestment (although there are of course many companies where we have chosen not to invest in the first place, given for example, the temperature alignment criteria in the Fulcrum Climate Change strategy). There have, however, been several instances of applying voting sanctions and public pressure to send a signal to investee companies and their boards. At the same time, we are mindful that some topics of discussion that we have initiated with company management generally represent long-term gradual changes, we are at the early stages of these transitions (for example, some companies have raised with us the challenges in gathering Scope 3 emissions data across a highly fragmented supply chain).

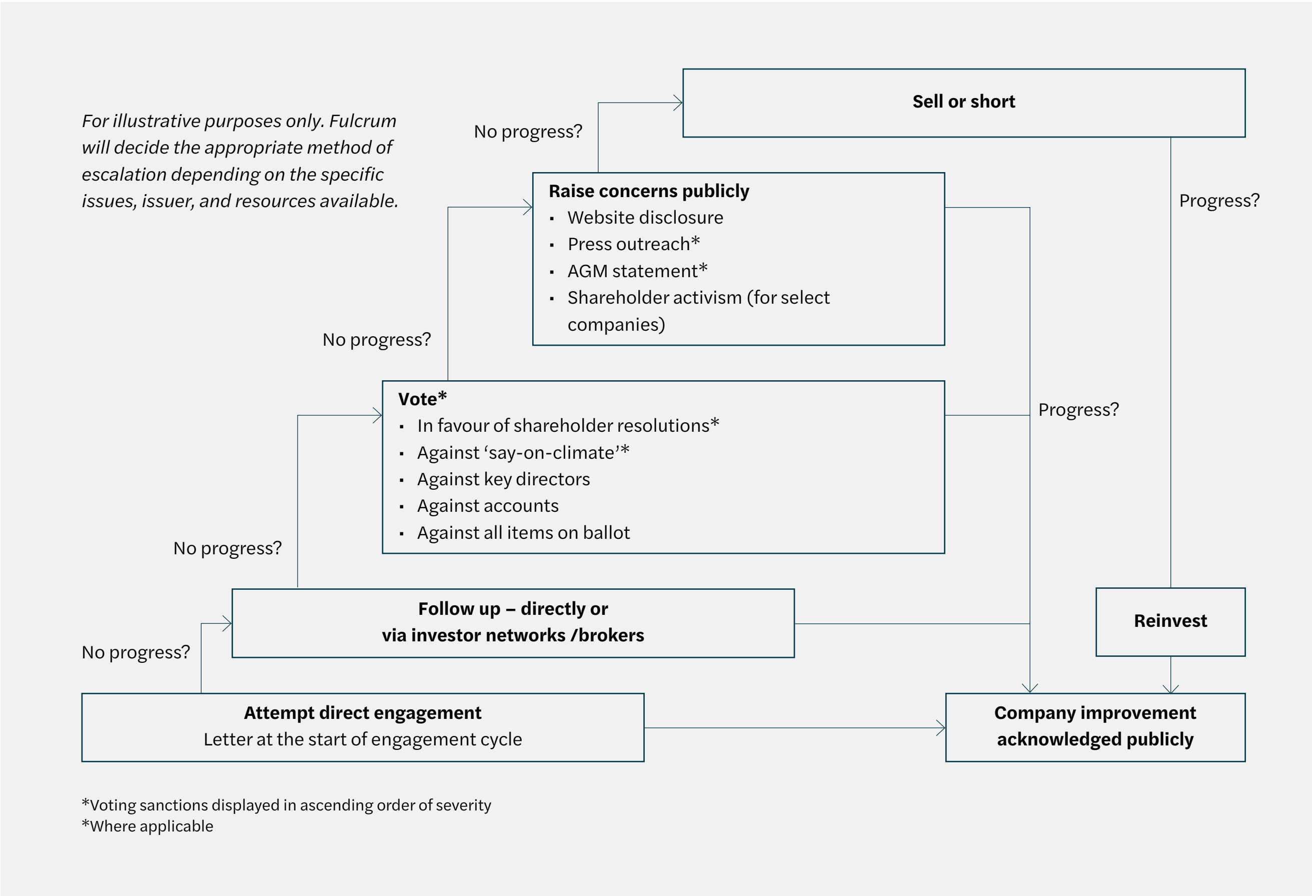
We will continue to improve our engagement efforts as we interact with companies. Details on how we have engaged at AGMs and broader initiatives can be found on our website here. Where necessary, we will seek to escalate our engagement to influence companies by issuing public statements and disclosures detailing our expectations and collaborating with investors (we regularly discuss the progress of ongoing Climate Action 100+ engagements, as part of quarterly strategy calls with other investors in the network).

Alternative Solutions

Our process for escalation with external managers is as follows:

- We explain to managers the importance of ESG factors in our investment process and how we believe they can improve outcomes if considered thoughtfully.
- We share several key specific topics in advance of meetings to provide managers with a chance to consider them in detail and to add their thoughts and input accordingly. We supplement this with additional questions during meetings to ensure they are not simply paying ESG lip service.

A schematic illustration of our escalation toolkit for corporate engagements is illustrated below:*



* For illustrative purposes only, Fulcrum Asset Management.

- If we are duly concerned, we can assign them a score of 1 in our proprietary scoring system (1-4 with 1 being the lowest). From 2023, we have decided to no longer invest in any new managers with an overall ESG score of 1.

Voting sanctions

Voting sanctions currently remain our main avenue for escalation – we may vote against management or the election of specific directors in response to ongoing engagements (see more details under Principle 12). In general, we have cast at least one vote in opposition to management in nearly 59% of meetings in the reporting period.

Outcome

Escalation with managers during Operational Due Diligence stage

Activity	Within our Alternative Solutions team, we engaged with two managers on their lack of risk and compliance controls in place supporting their investment activities. We believe having effective controls, including (but not limited to) segregation of roles & responsibilities, having a Chief Compliance Officer and a Chief Risk Officer are principles of good governance and mitigate risks. As part of our Operational Due Diligence process, we review these mechanisms in place to gain comfort on governance.
Outcome	We engaged, educated, and escalated the importance of good governance with the two managers. We were very clear that we are not able to invest with them till these actions were implemented in a meaningful manner. As a result, both managers have either hired or appointed new individuals to ensure segregation. We can now consider resuming due diligence with both managers.

Principle 12

Signatories actively exercise their rights and responsibilities

Context

Equities

Our proxy voting policy can be found here on our website, it is updated at least annually and covers the key areas of our approach including governance, the appointment of research providers, our procedures, and conflicts of interest.

Similar to previous years, we continue to use research from Glass Lewis (GL), our proxy adviser, to inform our views. As a firm, we are committed to promoting enhanced climate disclosure and climate-related mitigation strategies through our votes. Hence, we have adopted the Climate Policy of Glass Lewis, which is reviewed by Fulcrum's Responsible Investment Committee once a year. The policy holds companies accountable for their lack of progress on climate governance. It considers a company's size and sector in order to ensure that shareholders execute votes that both promote a transition to a low-carbon future and that make sense from a financial perspective in the context of a company's operations.

The Climate Policy underscores that, while all companies face risks attendant to climate change, these risks will manifest themselves in different ways. In addition, it recognises that the majority of the world's carbon emissions are emitted by select, systematically important emitters. Accordingly, the Climate Policy applies an additional layer of scrutiny to ensure that those companies have effective oversight of and mechanisms to respond to the changing climate.

This year we have identified three tiers of companies to focus our in-house research in addition to using the Glass Lewis Climate Policy:

- Tier 1: Climate Action 100+ companies. These companies are the highest-emitting companies and thus have significant exposure to climate-related risks. Accordingly, the Climate Policy will ensure that these companies are held to the highest standard with respect to the governance afforded to climate change, the disclosures expected by these companies and the way that these companies incentivize executives to mitigate climate-related risks.
- Tier 2: Companies where greenhouse gas emissions represent a material risk, as defined by the Sustainability Accounting Standards Board (SASB). For companies that are determined to have significant risk exposure as a result of their GHG emissions, the Climate Policy will promote enhanced governance and disclosure of climate-related issues, as well as the establishment of policies and strategies to help mitigate climate-related risks.
- Tier 3: All other companies. The Climate Policy recognises that climate change represents a risk to all businesses, regardless of industry or exposure to climate-related regulatory or legal risks. As a result, the Climate Policy will promote enhanced disclosure on these climate-related risks as well as enhanced board-level oversight of environmental and social issues.

The Climate Policy will evaluate if, and to what extent, a company has provided a link between compensation and environmental and social criteria. In most markets, should a company not provide any environmental or social considerations in its remuneration scheme, the Climate Policy will vote against the proposed plan. For companies with a greater degree of exposure to environmental and climate-related issues (i.e. Climate Action 100+ focus list companies and those where SASB has deemed GHG emissions to be financially material), the Climate Policy will vote against compensation proposals if the company has not adequately incentivized executives to act in ways that mitigate a company's climate impact.

The Climate Policy will vote against the directors responsible for overseeing environmental and social issues if companies do not provide robust sustainability information. For companies more exposed to climate-related risks, the Climate Policy will vote against the directors who oversee environmental and social issues if they do not provide reporting that is aligned with the recommendations of the TCFD or SASB. However, for

Climate Action 100+ focus list companies, the Climate Policy expects to see TCFD reporting and will vote against directors who are responsible for environmental and social oversight if such reporting has not been produced. In all aforementioned cases, if the company does not maintain board-level oversight of environmental and social issues, the Climate Policy will instead vote against the chair of the board or the audit committee chair if the company has combined the roles of chair and CEO.

On top of this, Fulcrum does bespoke analysis on certain individual resolutions that are of a particularly high priority. These include climate-related resolutions and shareholder resolutions. We have dedicated resources in place to highlight these resolutions as they arise. These will be reviewed by our sustainability specialists within our investment team. The result could either be to stick with the Glass Lewis policy or to override (in either direction).

Joined Investor Coalition for Equal Votes (ICEV)

Activity	We were the first asset manager to join ICEV, launched by leading UK and US pension funds, calling on companies to improve the governance by upholding the democratic 'one share, one vote' principle. ICEV aims to achieve this by: "Organising virtual (or in person, where relevant) engagements with pre-IPO companies, their counsel and advisors, and other financial market participants", and by "supporting the advancement of equal voting rights regulation and legislation where practicable and most effective."
Outcome	This is a new initiative that we have joined and look forward to share outcomes in due course.

Alternative Solutions

We have a dedicated engagement programme with third-party managers, and seek to use our influence for positive impact. Where relevant we engage with our external managers on their voting policy, including transparency of their voting policy, voting data and disclosure of their votes in the public domain. Our goal is to collaborate with our underlying managers on key ESG-related risks and opportunities in an effort to create a multiplier effect in the industry. More details on our engagement approach with external managers can be found under Principle 9.

Activity

The table below summarises our voting activity as a firm to the 12 months ending on 30th June 2024:[6]

Voting statistics:	
Meetings eligible to vote at	743
Resolutions eligible to vote on[7]	73,248
% of resolutions voted	99.9%
% voted WITH mgmt.	85%
% voted AGAINST mgmt.	15%
% ABSTAINED	0.75%
% of meetings where we voted at least once against mgmt.	56%
% of votes against Policy	0.4%

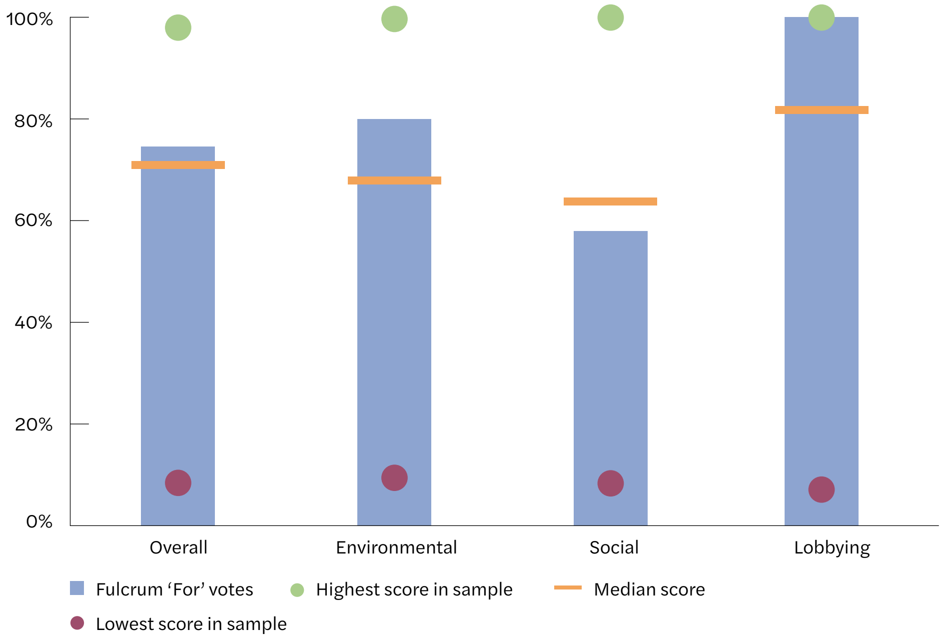
A breakdown of our votes for, against and abstentions over the same period is provided below:

Proposal Category Type	For	Against	Abstain
Totals[8]	**61723**	**10656**	**554**
Audit/Financials	8740	5	12
Board Related	37162	6443	126
Capital Management	4105	150	0
Changes to Company Statutes	1342	105	192
Compensation	6449	2213	10
M&A	461	14	0
Meeting Administration	1342	59	0
Other	391	93	166
SHP: Compensation	56	281	0
SHP: Environment	354	250	5
SHP: Governance	583	284	33
SHP: Misc	31	84	0
SHP: Social	707	675	10

6 Sources: Fulcrum, Glass Lewis
7 This reflects the total number of resolutions we have voted on, across all strategies. They do not reflect unique resolutions.
8 Total proposal difference – 315 Compensation Proposals offering time period options, rather than For/Against/Abstain.

We are pleased to share our 2023 voting highlights presented by ShareAction[9]

This chart depicts the percentage of Fulcrum's votes 'for' the resolution sample, alongside the highest and lowest score recorded among the sample of 27 CRIN and RINU asset managers. Votes for which the manager did not have holdings were removed from the calculation.



Total eligible votes for Fulcrum: Environmental – 53/114 resolutions; Social – 35/99; Lobbying – 11/44. Asset managers with fewer than 10% of holdings in each category were removed from the median calculation.

ShareAction also compared the votes of Fulcrum to two main proxy advisors – ISS and Glass Lewis and found the following:

Comparison to ISS	
Fulcrum voted MORE ambitiously than ISS	Of 69 resolutions for which ISS provided a recommendation, ISS recommended a vote 'For' 48 times, while Fulcrum voted 'For' 51 times.

Comparison to Glass Lewis	
Fulcrum voted MORE ambitiously than Glass Lewis	Of 96 resolutions for which Glass Lewis provided a recommendation, Glass Lewis recommended a vote 'For' 33 times, while Fulcrum voted 'For' 70 times.

To further our commitment to transparency and aid our clients and beneficiaries, we continue to disclose real-time voting information, including rationales for key votes against, here.

9 Data sources: ShareAction

Outcomes

Both the number and media scrutiny of shareholder proposals have increased in 2024. Whilst we generally welcome this increased engagement which can play a positive role in encouraging companies and investors alike to step up on sustainability, the nature of the proposals varied widely in the demands made of companies; we do not believe that the mere fact that a proposal relates to an environmental or social topic necessarily means it promotes the best interest of shareholders and the company. We therefore aim to apply careful consideration in this area. Although, on average, we have tended to support more shareholder proposals than we have opposed over the period, we believe it is important to look beyond just aggregate statistics to focus on the more significant proposals.

Internally, we have also developed a methodology for identifying 'significant votes' that is reflective of our business and investment capabilities.

We have identified four types of significant votes:

- Votes relating to climate change or the environment
- Shareholder proposals.
- Votes where we voted against the proxy adviser's recommendation as these could be considered significant given it is a diversion from our usual voting pattern.
- Meetings related to companies that have a high weighting in the portfolio.

Significant votes that require further attention will be escalated to the Stewardship Committee for further discussion where any potential override can be debated. Below we provide several examples of significant votes over the past year.

Royal Bank Of Canada	Date of vote: **01/04/2024**
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	**<1%**
Summary of the resolution **Shareholder Proposal Regarding Say on Climate**	
How you voted	**FOR**
Where you voted against management, did you communicate your intent to the company ahead of the vote?	**NA**
Rationale for the voting decision **Glass Lewis recommended that we vote AGAINST the proposal as the terms of this proposal violate the basic premise of corporate governance. They view that the proposal essentially allows the board to delegate its oversight responsibilities for the setting of corporate strategy to shareholders by allowing them to effectively dictate this strategy through an up/down vote.** **However, we voted FOR the proposal as we were concerned about a recent report that suggests that none of the major Canadian banks have short- or medium-term plans to withdraw from the fossil fuel sector and that their initiatives are not ambitious enough.**	
Outcome of the vote	**AGAINST**
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome? **We would likely have voted in a similar way if we were to vote again on this resolution.**	
On which criteria have you assessed this vote to be "most significant"? **This was a Shareholder proposal, was an ESG vote, and involved us voting against the proxy advisor's recommendation.**	

Microsoft Corporation	Date of vote: **07/12/2024**
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	**<1%**
Summary of the resolution **Shareholder Proposal Regarding Report on Climate Risk In Employee Retirement Options**	
How you voted	**FOR**
Where you voted against management, did you communicate your intent to the company ahead of the vote?	**NA**
Rationale for the voting decision **The proposal requests that the Company report on how it is protecting plan beneficiaries with a longer investment time horizon from climate risk in the Company's default retirement options. Glass Lewis believes that this veers dangerously close to shareholder micromanagement of the Company's day-to-day operations and recommended we vote AGAINST the resolution. However, we agree with the proponent's perspective that while the Company has taken actions to address climate change, its 401(k) retirement plan invests significantly in companies that contribute to climate change, jeopardizing workers' life savings. Therefore, we voted FOR the proposal.**	
Outcome of the vote	**AGAINST**
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome? **We would likely have voted in a similar way if we were to vote again on this resolution.**	
On which criteria have you assessed this vote to be "most significant"? **This was a Shareholder proposal, was an ESG vote, and involved us voting against the proxy advisor's recommendation.**	

Apple Inc	Date of vote: **28/02/2024**
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	**<1%**
Summary of the resolution **Shareholder Proposal Regarding Congruency Report on Privacy and Human Rights Policies**	
How you voted	**FOR**
Where you voted against management, did you communicate your intent to the company ahead of the vote?	**NA**
Rationale for the voting decision **The proposal requests that the Company produce a report "analyzing the congruency of the Company's privacy and human rights policy positions with its actions, especially in such places as war zones and under oppressive regimes, as they impact how the Company maintains its reputation, viability and profitability." Given the vast scope and distribution of the Company's operations, Glass Lewis believes that the Company cannot be reasonably expected to monitor the daily activities of each of its suppliers and vendors. Glass Lewis finds the Company's current disclosures in this regard to be adequate and do not find the proposal to be in the best interest of the shareholders. They recommended that we vote AGAINST the resolution. We agree with the proponent's perspective. The Company appears to implement, or rescind, its human rights principles inconsistently across countries where it conducts business. Additionally, the Company restricted use of its AirDrop wireless file-sharing feature on users' iPhones during protests against China's zero COVID policies in late 2022, therefore we voted FOR the resolution.**	
Outcome of the vote	**AGAINST**
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome? **We would likely have voted in a similar way if we were to vote again on this resolution.**	
On which criteria have you assessed this vote to be "most significant"? **This was a Shareholder proposal, was an ESG vote, and involved us voting against the proxy advisor's recommendation.**	

Nordea Bank Abp	Date of vote: **21/03/2024**
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	**<1%**

Summary of the resolution
Shareholder Proposal Regarding Aligning Business Strategy to the Paris Agreement

How you voted	**FOR**
Where you voted against management, did you communicate your intent to the company ahead of the vote?	**NA**

Rationale for the voting decision
The proposal requests that the Company's Article of Association is amended by adding the following new article: The company's strategy shall fully align with the Paris Agreement to limit global warming to 1.5 degrees. The company will therefore not provide lending and underwriting to companies and projects that expand fossil fuel extraction and/or lack Paris-aligned phase-out plans. Glass Lewis believes that the Company should ensure that companies have provided robust governance frameworks, they do not believe that shareholders should be involved in the day-to-day management of a company. They recommend that we vote AGAINST the proposal. However, we agree with the proponent's perspective. Last year, two of the Company's main competitors imposed restrictions that, to a large extent, are in line with this proposal, but the Company's current fossil fuel sector policy does not live up to best practice. Additionally, the Company's continued support of expanding fossil fuel companies that lack robust transition plans violates its own climate commitments to contribute to the fulfillment of the Paris Agreement. Therefore we voted FOR the resolution.

Outcome of the vote	**AGAINST**

Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?
We would likely have voted in a similar way if we were to vote again on this resolution.

On which criteria have you assessed this vote to be "most significant"?
This was a Shareholder proposal, was an ESG vote, and involved us voting against the proxy advisor's recommendation.

Microsoft Corporation	Date of vote: **07/12/2023**
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	**<1%**

Summary of the resolution
Shareholder Proposal Regarding Report on Siting in Countries of Significant Human Rights Concern

How you voted	**FOR**
Where you voted against management, did you communicate your intent to the company ahead of the vote?	**NA**

Rationale for the voting decision
The proposal requests that the Board of Directors commission a report assessing the implications of citing Microsoft cloud datacenters in countries of significant human rights concern, and the Company's strategies for mitigating these impacts. Glass Lewis finds the Company's current disclosures adequate for shareholders to understand the risks and recommend that we vote AGAINST the proposal. However, we agree with the proponent's perspective, in particular the plan to locate a Company datacenter in Saudi Arabia and therefore voted FOR the proposal calling a human rights assessment.

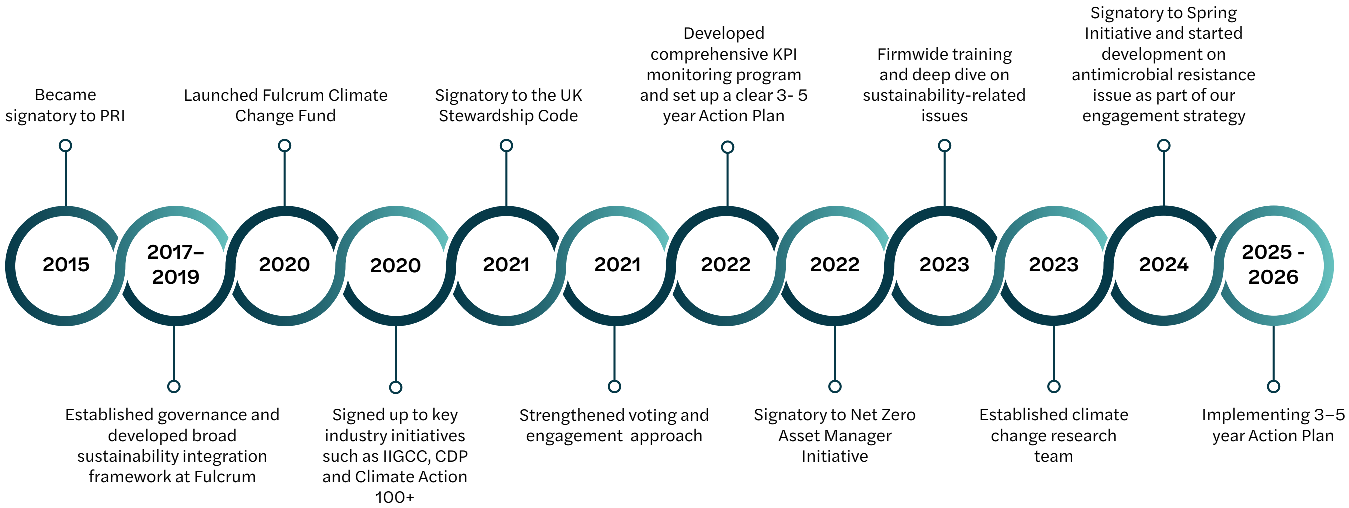
Outcome of the vote	**AGAINST**

Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?
We would likely have voted in a similar way if we were to vote again on this resolution.

On which criteria have you assessed this vote to be "most significant"?
This was a Shareholder proposal, was an ESG vote, and involved us voting against the proxy advisor's recommendation.

Direction of Travel

Timeline of key Fulcrum sustainability milestones



We see the pursuit of Stewardship, in its broadest sense, as an ongoing journey. We are proud of the steps taken so far and are mindful of the road still ahead. In terms of our 3-to-5-year Action Plan (which we established in our 2021-2022 Stewardship Report), we committed to making progress on the following topics:

- Understanding the biodiversity risks embedded in our investments.
- Further developing our engagement abilities beyond climate change as well as in other asset classes.
- Implementing a comprehensive KPI monitoring programme within our RIC.
- Increasing gender balance at a senior level and other DEI metrics.
- Continuing, monitoring, and where needed enhancing our active stewardship approach across various channels. This includes direct engagement with companies and third-party managers, industry initiatives, research and voting in line with our values. It will also include pushing our envelope to think about value chain driven engagement such as ESG engagement with our prime brokers.

Our goal for 2024-2025, is to focus our attention on the following key activities:

1. Integrating biodiversity considerations in our investments: While we had started to incorporate biodiversity-related metrics as part of our KPI monitoring program, we look forward to allocating capital towards solutions that mitigate biodiversity loss.
2. Engagement focusing on biodiversity loss and antimicrobial resistance: As mentioned in the report, we have recently joined the Spring initiative and supported IAAMR's letter to policymakers. We wish to deepen our engagement approach on these two sustainability areas and look forward to sharing outcome driven case studies in our next stewardship report.
3. Scenario analysis: We have started our data search to identify appropriate data providers that are best suited for our asset classes . We have also identified our preferred scenario that we intend to use for our TCFD reporting, which we look forward to disclosing in the coming year.
4. LTAF launch: As discussed in the report, we have broadened our Alternative Solutions capability to focus on illiquid assets. This will form a meaningful part of our Alternative Solutions capability and thus navigate enhancements to our overall stewardship approach.
5. DEI: This reporting period has been focused on establishing our approach, engaging with industry initiatives to deepen our knowledge and collection of data, we look forward to sharing how this evolves in the coming year.

Thank you again for supporting our stewardship journey. We welcome your feedback on our Stewardship Report and would be happy to answer any questions that you may have.

Please contact IR@fulcrumasset.com for all queries related to our approach to stewardship.

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