Sustainable Investment Approach.

true potential investments

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2024 has been another significant year in the shaping of the global sustainability landscape. Over the year disclosure requirements and regulatory oversight have continued to increase, allowing clients to have more confidence in the data and claims that they receive from investment firms. However, it was also another year where the costs of climate change unfortunately became even more evident. The most recent wildfires in California were a reminder, if any were needed, of the human and financial costs of climate change – this time in a US state that if it were a country would be the fifth largest in the world.

At True Potential, we continued to make progress in the area of sustainability. In June, we published, our first Task Force on Climate-related Financial Disclosures (TCFD) reports, outlining how we govern and monitor climate-related aspects at both the company and fund levels. Additionally, recently we established the Group Sustainability Committee to coordinate all sustainability-related initiatives across the organisation. Their first major project was the development of the Group Sustainability Policy, which defines our approach and key areas of focus.

We also continued to assess our fund manager partners in our annual sustainability review. In addition, this year we introduced annual sustainability meetings to facilitate more in-depth discussions on recent industry developments and updates related to environmental, social and governance (ESG) integration in our True Potential funds.

I hope this document offers you valuable insight into how sustainability has evolved at both True Potential and our fund manager partners.

Firm-wide approach to sustainability

True Potential believes that it is one of our responsibilities as a business to play our part in working towards a sustainable future for the generations to come, to have a positive impact on our colleagues and on the society and communities in which we operate.

Many of our clients invest over the long term, saving for retirement and future security. This future is inextricably linked to climate and to the development of society as a whole. It is therefore important we ensure that our own time horizons and decisions as a business acknowledge and support these goals.

To help our clients achieve their financial goals, we believe a business that considers and, over time, enhances its approach to sustainability will create a stronger foundation from which to deliver better outcomes for our clients, colleagues and other stakeholders.

We designed the Group Sustainability Policy to ensure the incorporation of sustainability issues into our business practices and to help contribute towards achieving our goals. The policy defines the focus areas of the business and how we manage sustainability performance.

As part of this, we consider the following subsets:

Wellbeing	We believe that colleague wellbeing is an output of many things done well. If we look after the wellbeing of our colleagues, our clients are more likely to receive a positive outcome, leading to further success for the business.
Climate and Nature	We believe that capital can be a powerful tool for change, and that thoughtful choices made in accordance with agreed investment guidelines can help deliver financial goals for our clients as well as benefit the planet and nature.
Stewardship and Investments	Our clients have entrusted us to help secure their financial futures. Providing effective investment management and advice is a vital part of our Group-wide responsibility as a business. We believe good corporate governance, engagement and transparency are key to meeting our fiduciary and regulatory responsibilities and enabling positive outcomes for our clients.
Community	We believe that our business can have a positive impact on the society in which we operate. We are proud to be based in Newcastle, and by making True Potential a place where people wish to work, where colleagues can develop valuable skills and experience, our clients and the wider society of the North East of England will also benefit.

True Potential Investments and sustainability

True Potential manages a range of ten risk-mapped multi-asset portfolios for UK clients. The investment process is underpinned by the concept of 'Advanced Diversification' which results in a blending together of multi-asset strategies from world-renowned fund manager partners. The current panel includes firms such as UBS Asset Management, Goldman Sachs Asset Management and Schroders. These external fund manager partners complement our in-house solution, Growth-Aligned. Most of the True Potential assets are managed externally which enables the company to have access to the expertise of over 9,000 investment professionals in more than 160 locations worldwide.

Our aim is to be good stewards of the assets in which we invest, either directly or through oversight of our fund manager partners. Our mission is to maximise returns for investors within a client's risk profile, to reduce volatility and to drive down the cost of ownership for investors. A key part of this is investing in areas that we believe will produce sufficient long-term risk-adjusted returns. In this respect, environmental, social and governance (ESG) factors are part of our investment process as they impact long-term returns of investments.

While we do not offer sustainability-specific funds, our process seeks to ensure thoughtful analysis by our fund manager partners of the activities of the companies that are owned by our clients and, where appropriate, active engagement with them.

In 2022, True Potential Investments became a signatory to the United Nations Principles of Responsible Investment (UNPRI). As a signatory we commit to implement UNPRI's six Principles:

Principle 1	We will incorporate ESG issues into investment analysis and decision-making processes.
Principle 2	We will be active owners and incorporate ESG issues into our ownership policies and practices.
Principle 3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.
Principle 4	We will promote acceptance and implementation of the Principles within the investment industry.
Principle 5	We will work together to enhance our effectiveness in implementing the Principles.
Principle 6	We will each report on our activities and progress towards implementing the Principles.

The core of our business model involves partnering with leading global asset managers. In doing so, we have worked with asset managers who are at the forefront of developments in this area. All our fund manager partners are signatories to UNPRI.

Last year, as part of our obligations as a signatory, we reported to UNPRI. We believe that our membership, and this regular reporting against the Principles, continues to emphasise our continued commitment to the consideration of sustainability factors in our investment process alongside our fund manager partners, and to the continuous development of this part of our process.

Sustainability integration

Our investment framework includes the analysis of a range of sustainability factors in assessing our fund manager partners. This enables us to provide a broader assessment of the investment environment in which our partners operate and their engagement with both the underlying companies in which they invest and the product providers they utilise. Most of our clients invest for the long term. The core belief underlying this integration of sustainability factors is that businesses with a thoughtful and responsible approach to all their stakeholders are better placed to be able to deliver the returns that our clients seek over the longer-term. Similarly, those companies that are thoughtful about the impact of their actions on climate, and on the society in which they conduct their business and from which they draw their clients, are also more likely to prove better-placed to produce enduring returns.

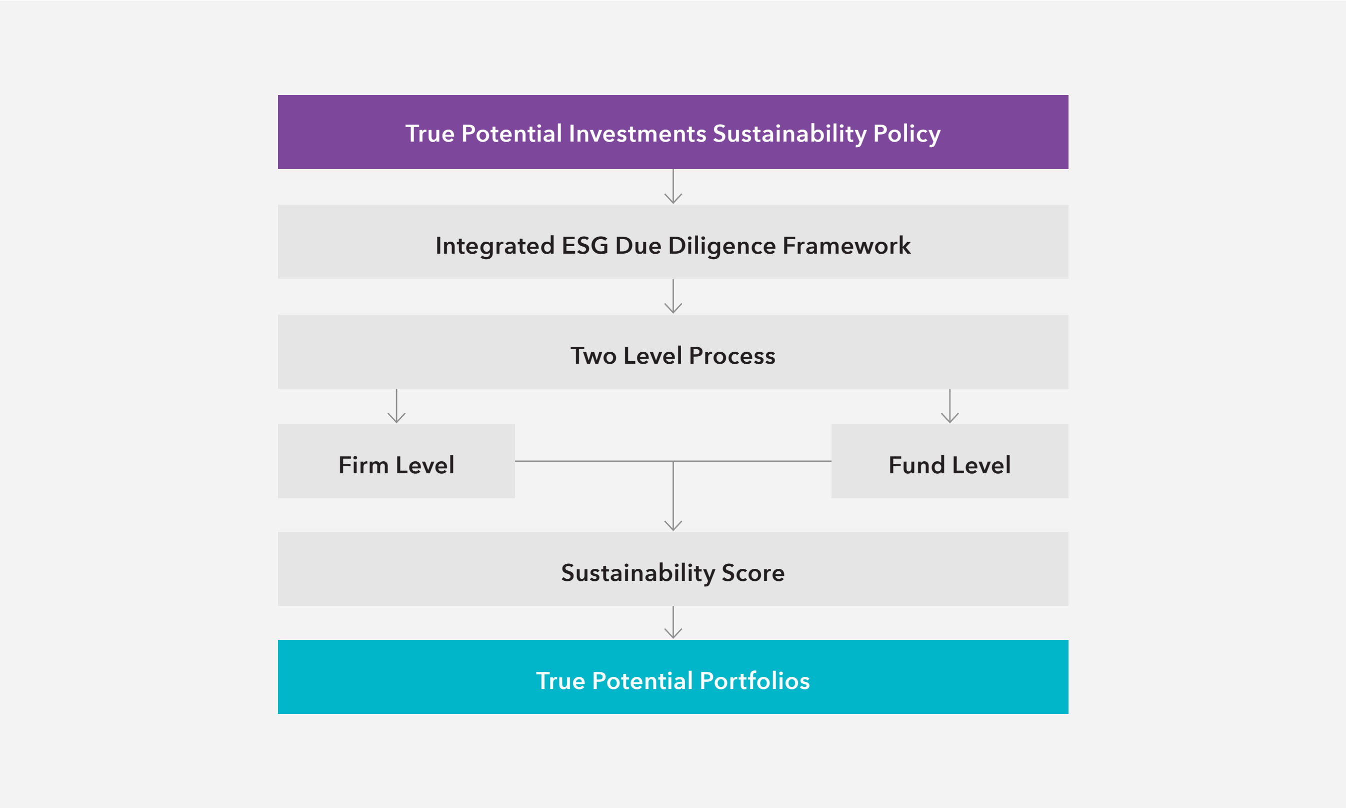

Figure 1: Structure of the True Potential Investments Sustainability Framework

Sustainability integration (continued)

At the firm level, we assess:

- To what extent is the fund manager partner committed to their sustainability journey? We consider factors such as their commitment to initiatives like the UNPRI and UK Stewardship Code, the objectives that they wish to achieve in this area, and the progress being made towards them.

- Whether the fund manager partner is investing enough in building out their expertise and infrastructure in this area to enable investment teams and wider staff to deliver their aims.

- Whether the fund manager partner provides guidance and tools to their investment teams on how to consider the risks and opportunities in this area and enable them to appropriately consider the investable universe across asset classes. Additionally, whether investment teams integrate sustainability factors into their security selection, portfolio construction and overall risk management processes.

- We also assess how the firm is engaging with their underlying companies and solution providers to guide them in this area. Are they using their influence effectively to drive change? What do they do if they recognise a company that does not meet their minimum requirements? In this area we will look, amongst other things, at their historical proxy voting record and our fund manager partners' engagement with the companies in which they invest.

At the fund level, we assess:

- How the investment team utilise the firm-wide initiatives. We also consider what internal expertise they have within the team, and how well they utilise the resources at a firm level to enhance their understanding on sustainability issues.

- Whether the investment team have the right tools and appropriate training to incorporate their sustainability framework into their investment decisions. Are they able to navigate the investable universe and manage the strategy through a sustainable lens? At a deeper level, how do they integrate sustainability factors and risks into their portfolio construction and overall strategy management?

- In order to ensure good stewardship of the companies in which we invest, we want to assess how well connected and engaged portfolio managers and analysts are with the firm's central proxy voting team. Are they able to provide their views on proxy voting and other engagement issues in an unbiased and a transparent manner to us? What are the outcomes of these engagement actions?

Sustainability integration (continued)

We review our sustainability framework every year. We recognise how dynamic the area is, and how important it is to track and recognise all the changes made. In our recent review, we evolved questionnaires sent to our fund manager partners in order to be able to receive further, and more detailed information at both firm and fund level. We also expanded further the section on stewardship, recognising the importance of our fund manager partners' actions to improve ESG aspects within companies in which they invest.

We assign a numeric score from 1 to 4 for each question in the framework and aggregate them at both firm and fund levels.

As you can see from the table below, the rating of three of our fund manager partners has remained 'Amber' over the period. It does not mean that the fund managers did not improve throughout the year – we observed active participation in engagement with companies and further work being done towards corporate sustainability goals.

Our analysis indicates that all our fund manager partners have been constantly working to improve their processes and ESG integration. The True Potential fund manager partner cohort scores on average 3.1. This feeds into our investment management and decision-making framework used to manage the True Potential Portfolios.

As with all our investment processes, our sustainability assessment is an iterative process where we score our fund manager partners formally once a year. However, we have many additional touchpoints with them throughout the year including more in-depth conversations on current ESG issues and their consideration in fund managers' research and decision-making process.

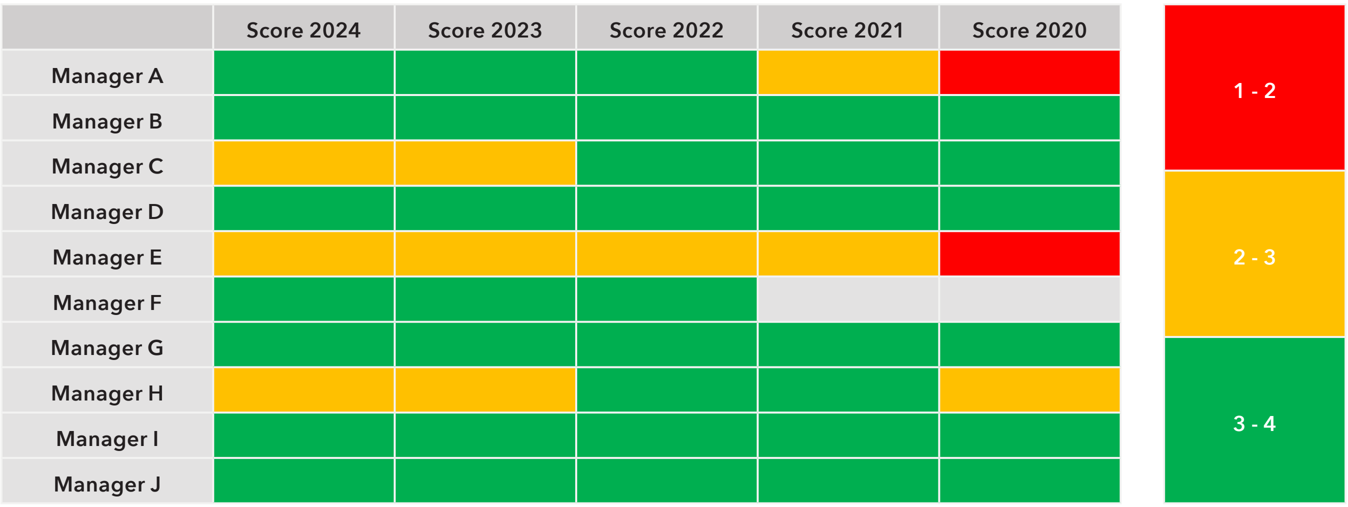

Figure 2: Outcomes of the True Potential Investments Sustainability Assessment

It should be noted in the above table that not all fund manager partners are at the same stage of development in this area. Some were well-resourced and active in it many years ago, others have been more recent advocates of some of these principles. All are scored 'like-for-like', but these differences between some companies' start-points should be noted.

While not being prescriptive on the sustainability criteria used, True Potential is supportive of the exclusions and weighting adjustments made by our fund manager partners in pursuit of their sustainability aims. Some of these take the form of blanket exclusions such as those for some armaments and some forms of coal extraction. Others follow scoring processes that seek to reduce exposure to, and therefore risk from, our clients' exposure to the weaker companies in sectors or markets. Our fund manager partners have different processes to arrive at these judgements, but all are thoughtful in seeking to build portfolios that best allow the risks around poor performing companies in this area to be minimised.

Climate-related considerations

Task Force on Climate-related Financial Disclosures

The Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 to improve consistency and comparability of firms' climate-related disclosures. The expectation being, that this will allow companies to better incorporate climate-related risks and opportunities into their risk management, strategic planning and decision-making processes. In due course, this will allow better allocation of capital to sustainable and resilient opportunities/solutions.

To achieve this goal, they created the TCFD framework which consists of eleven disclosures designed around four key pillars: Governance, Strategy, Risk Management and Metrics and Targets for quantifying greenhouse gas emissions within Scope 1,2,3 which aids in assessing climate-related risks and opportunities for companies.

As per the Financial Conduct Authority (FCA) policy statement, investment companies are required to publish the reports.

In addition to qualitative statements within the pillars, we have engaged with MSCI to provide us with climate-related risk metrics for each of the True Potential Funds and Portfolios. The metrics dashboard consists of a variety of measures such as carbon footprint, Climate Value at Risk or Implied Temperature Rise. Such metrics help us to assess the level of greenhouse gas emissions that underlying companies generate or potential investment loss assuming certain climate scenarios.

The True Potential Investments Entity and True Potential Administration product reports can be found at **www.truepotential.co.uk/documents**.

Our fund manager partners' evolution of sustainability

The evolution of the work on sustainability has also continued at our fund manager partners, who continue to develop their sustainability processes. Examples of the work being done include the following developments:

- Allianz strengthened its voting guidelines on remuneration, gender diversity, and climate-related matters, raising expectations for company practices it would support through shareholder voting.
- Schroders updated its Engagement Blueprint for listed assets, outlining a refreshed strategy for active ownership in public markets. This includes an enhanced thematic engagement approach that more accurately reflects nature-related issues and places greater emphasis on how engagement can drive improved investment outcomes.
- TrinityBridge expanded its sustainability team with the appointment of an additional Responsible Investment Associate.
- UBS joined the Investor Initiative on Hazardous Chemicals, which aims to address chemical pollution affecting ecosystems and human health. Through this initiative, UBS encourages companies to commit to phasing out hazardous substances in alignment with the initiative's goals.
- Growth-Aligned further enhanced its due diligence process in relation to sustainability. The team has implemented a sustainability questionnaire for product providers and active managers, and is in the process of introducing a formalised scoring system.
- Pictet developed a proprietary Sustainable Investment framework to meet evolving regulatory and client expectations and joined six collaborative engagement initiatives including Nature Action 100, FAIRR's Protein Diversification Engagement and the World Benchmarking Alliance's Collective Impact Coalition for Ethical Artificial Intelligence.
- Threadneedle restructured its responsible investment resources to better integrate sustainability into its investment approach. As part of this, 13 sustainability analysts have moved from the Central Responsible Investment Team to the Research Team to ensure ESG insights are directly aligned with investment decision-making.

Our fund manager partners' engagement with companies owned

Our fund manager partners are continuously working on greater integration of environmental, social and governance factors. They collaborate in initiatives such as the Carbon Disclosure Project, Net Zero Asset Manager initiative, and Climate Action 100+. These initiatives set targets and disclosure requirements to aid progression on climate action.

Our fund manager partners constantly consider all aspects of 'good ownership' of the companies and securities in which they invest on behalf of True Potential's clients. In pursuit of this aim, they engage with companies when they identify any area for improvement.

This engagement covers areas such as:

Environmental	They assess the climate transition commitment and reduction targets for greenhouse gas emissions by companies. They also engage on more specific pollution risks to which companies may be exposed.
Governance	They engage on board diversity, structure and remuneration. In addition, they would engage on matters of reputation, as well as corporate events and capital allocation.
Social	They engage on health and safety of employees, the quality of supply chains, and diversity and inclusion within the company.

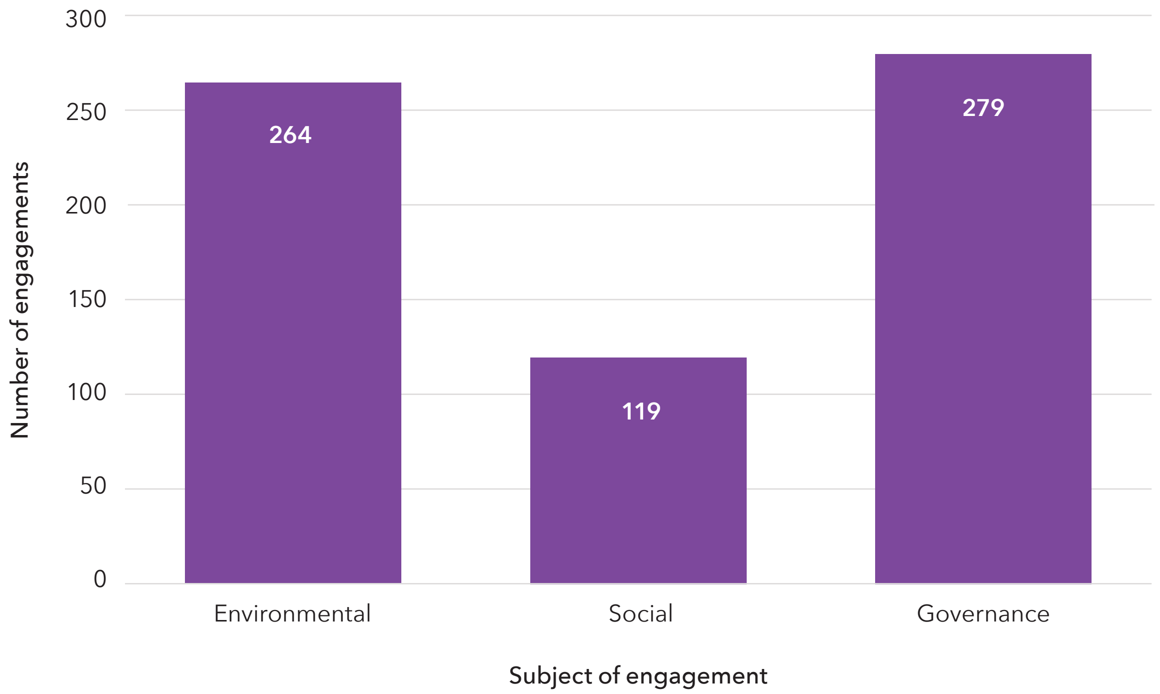

Figure 3: Number of True Potential Fund Manager Partners' engagements with the investee companies held within True Potential Funds in 2024. Includes numbers only from fund manager partners that invest directly into equities and fixed income.

Making a difference together

true potential

true potential investments

Fund managers

Allianz Global Investors | PICTET 1805 | TrinityBridge

Columbia Threadneedle Investments | Schroders | true potential growth aligned

Goldman Sachs Asset Management | sei | UBS

Collaborative initiatives

CDP Driving Sustainable Economies | Emerging Markets Investors Alliance | JSIF | TCFD

Corporate Mental Health Benchmark CCLA | IIDC Institutional Investing Diversity Cooperative | NET ZERO ASSET MANAGERS INITIATIVE | TNFD Taskforce on Nature-related Financial Disclosures

Climate Action 100+ Global Investors Driving Business Transition | isg | Signatory of: PRI Principles for Responsible Investment

Companies

AstraZeneca | EcoLab | Imperial Brands | Elevance Health

LVMH | Infineon | M&S | Netflix | Societe Generale

Chevron | Unilever | Microsoft | Coca Cola | VISA

Relx | GSK | J.P.Morgan

Figure 4: The structure of ESG engagement, starting from True Potential Investments itself, through internal and external fund manager partners, to their involvement in collaborative initiatives and finally to the companies they invest in and engage with on ESG issues.

The power of engagement

As the above chart shows, our fund manager partners conducted many engagements activities throughout the year. Here are just a few examples of their active dialogue with underlying companies:

Goldman Sachs Asset Management

In May 2024, Goldman Sachs Asset Management (GSAM) engaged with a Swiss materials company to discuss its climate transition strategy and a forthcoming shareholder vote on the company's "say on climate" proposal. The engagement was part of GSAM's Climate Transition initiative, focusing on companies in high-impact sectors. Discussions centred on the company's interim targets, emissions performance, decarbonisation and capital allocation strategies.

The company had shown some progress since earlier engagements in 2022, particularly in emissions reporting and goal-setting, but gaps remained. The current climate plan was found to be incomplete, lacking consideration of assets with potential material climate impact. Concerns were raised about the removal of a coal production cap and the low ambition of the 2030 emissions target, which was already close to being met.

Despite previous shareholder votes against the company's climate plan in 2022 and 2023, and support for greater coal-related disclosure, the proposals either failed or the company's plan was approved by other shareholders. In 2024, GSAM again voted against the plan, citing exclusion of key assets from the strategy. While some objectives were met, GSAM will continue engagement to drive further progress.

Allianz Global Investors

In October 2024, Allianz engaged with a US technology company to discuss its approach to responsible AI. The engagement aimed to understand the company's governance of AI development and associated risks, its collaboration with clients on policy implementation, and its perspective on AI regulation. The engagement was part of Allianz's broader efforts to assess how companies manage emerging technology risks.

PICTET 1805

Pictet engaged with a global food and beverage company on improving nutrition transparency and healthier product promotion. Working alongside the Access to Nutrition Initiative, the aim was to encourage the company to enhance disclosure using frameworks like the Health Star Rating and Nutri-Score, set measurable targets for affordable, healthy products, and adopt healthier strategies in mergers and acquisitions.

The engagement led to the company becoming the first global food company to report the nutritional value of its entire portfolio using the Health Star Rating in March 2023, implementing front-of-pack labelling in 14 countries, committing to responsible marketing, and expanding micronutrient fortification. By September 2024, the company also pledged to increase sales of healthier products by 50% by 2030. Despite these positive developments, the engagement identified a need for more ambitious targets, and dialogue will continue to encourage further progress.

The power of engagement (continued)

TrinityBridge

TrinityBridge engages with companies on workplace mental health as part of the CCLA Global Coalition initiative, encouraging them to strengthen their mental health policies. They engaged with a British food company on this topic. Since then, the company has added a section in its annual report on employee support and published its mental health policy online. It also recognised the need to improve reporting on support systems.

COLUMBIA THREADNEEDLE INVESTMENTS

Threadneedle engaged with a UK financial company to encourage stronger risk management and improved transparency around its climate-related targets. The company has made significant progress by enhancing its climate risk disclosures and setting new financed emissions targets for agriculture, commercial real estate and aviation. The company also updated its residential real estate target and introduced a transition finance framework. Additionally, it revised its climate change statement to introduce stricter conditions on oil and gas financing. These developments mark substantial progress in areas where the company previously lagged.

Allianz Global Investors

Allianz co-filed a shareholder resolution on water management at McDonald's. Their research indicated that the company could enhance water stewardship within its supply chain, particularly for water-intensive commodities such as beef and pork. At the time, McDonald’s had not publicly disclosed any water-related targets.

The resolution, submitted in collaboration with other asset management firms, called on McDonald’s to establish time-bound, quantitative goals aimed at reducing water usage across its supply chain.

Following engagement efforts, McDonald’s made new formal commitments to increase water-related disclosures and outlined a timeline for introducing a comprehensive strategy to address water consumption in regions facing water stress.

Proxy voting

We believe that votes held by shareholders should be seen as an asset that should be used. How these votes are exercised is therefore important. The chart below demonstrates that, in our view, our fund manager partners are thoughtful in the exercise of these votes, regularly opposing management in areas where they have raised concerns.

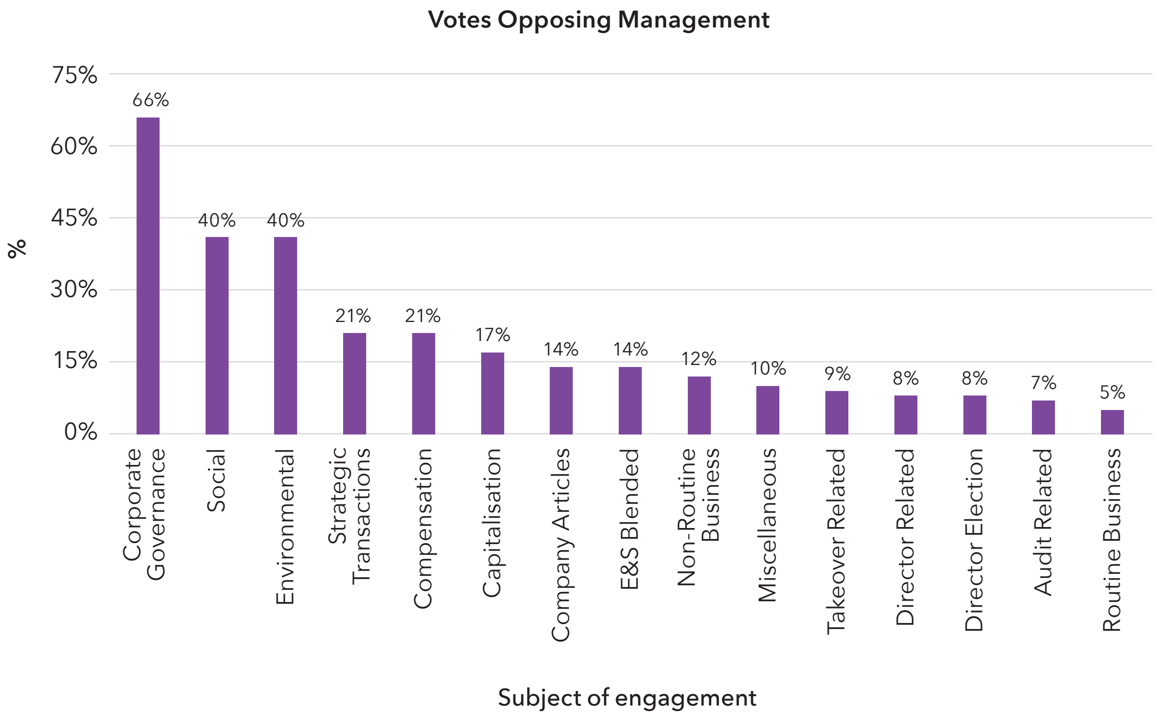

Figure 5 Proxy votes opposing Management categorised by subject.

Similarly, shareholders as a group have also been pro-active in tabling resolutions where they have felt that a company's agenda proposed at a meeting does not adequately address concerns that shareholders have raised. The chart below shows the subjects raised by shareholders at company meetings.

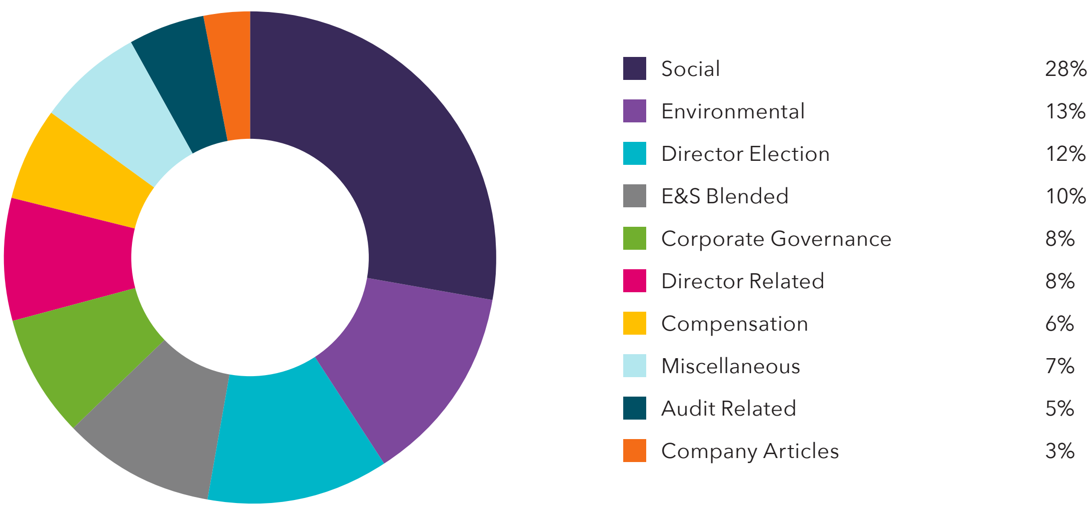

Figure 6 Resolutions proposed by shareholders categorised by subject.

With investing, your capital is at risk.
Investments can fluctuate in value and you may get back less than you invest.

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