



CHELVERTON
ASSET MANAGEMENT

ENGAGEMENT AND VOTING REPORT QUARTER 4/ 2022

INTRODUCTION

The following report provides the Chelverton Asset Management Ltd (“CAM”) engagement and voting record for the fourth quarter of 2022.

The report is intended to be read in conjunction with our Shareholder Engagement and Voting Policy, and Engagement Plan 2022. Both are available to view on our website.

Shareholder engagement is purposeful dialogue with companies on matters such as strategy, performance, risk, capital structure and corporate governance including company culture, remuneration and matters relating to environmental and social issues.

Shareholder voting is the exercise of voting rights in support, abstention or against both management and shareholder resolutions at shareholder meetings.

Engagement and voting are central to the CAM investment approach.

CAM consider engagement and voting to be an important contributor to long-term investment success and devote significant resources to these activities, as described in our UK Stewardship Code Report 2021 which is available to view on our website.

Interested parties requiring further information regarding our approach to engagement and voting should contact our Head of Responsible Investing, Sally Clifton at sdcc@chelvertonam.com or Corporate Governance Manager, Gregor Macdonald at gcm@chelvertonam.com

Engagement Record:

The purpose and principles which guide our engagement activities are laid out in the Chelverton Shareholder Engagement and Voting Policy and Engagement Plan 2022.

In the fourth quarter of 2022 CAM’s investment managers attended 92 meetings with individual companies within our UK and EU investment universes, supported by CAM’s Head of Responsible Investing and Corporate Governance Manager, as appropriate.

As usual, the focus of these discussions ranged from trading, performance, and strategy updates with executive teams, to discussions with non-executive board members regarding board composition, committee structures and executive remuneration, including updates relating to the management of environmental and social issues where relevant.

In the UK the crescendo of political and economic uncertainty following Kwasi Kwarteng’s mini budget provided context for many UK company conversations, as did the impact of inflation, energy costs, and recessionary fears for both UK and EU company meetings.

However, the quarter was also characterised by a high frequency of policy announcements, relating to household and business support for energy bills, accelerating energy transition plans, and measures to protect and re-build nature.

Significant policy announcements in the EU and US focussed many conversations on energy transition opportunities and the re-emergence of protectionism as deglobalisation pressures continue for geo-political reasons.

The following list of topics were predominant in our one-to-one meetings:

- Wage and other cost inflation
- Demand outlook
- Pricing power
- Structural changes in supply chain management
- Availability of key components, materials, and other resources

- Resource efficiency, particularly energy efficiency and cost management
- Management experience during previous recessionary periods
- Recruitment and retention issues
- Natural capital management and environmental responsibilities

In addition to the regular cycle of company meetings, CAM's Environmental, Social and Governance (ESG) Team attended 5 focussed ESG meetings with company executives, investor relations or sustainability experts.

Discussions fell into 2 categories:

- Stakeholder consultation relating to improved identification of ESG risk
- Proposed sustainability management development plans.

Focussed ESG meetings form an iterative element of our Engagement Plan 2022. The Plan builds on earlier work in 2021 which aimed to encourage improved ESG management and reporting from investee companies, and those within the CAM investing universe.

In the fourth quarter, the ESG Team wrote follow up letters to 42 investee companies reiterating ESG management and reporting expectations and offering our support in the development of ESG capabilities where appropriate.

Our letters outlined expectations regarding energy efficiency and climate impacts, talent management including diversity, equity and inclusion, and our hope that meaningful ESG targets will be included within executive remuneration packages alongside financial targets.

We asked the majority of companies to whom we wrote to complete or update an ESG questionnaire, providing information regarding the identification and management of material ESG risks, sustainability strategy, the integration of the sustainability strategy within business planning, and company ESG priorities.

Finally during the quarter, CAM continued to participate in relevant collaborative engagements addressing the needs of small and medium sized companies, with the objective of enabling their participation in the successful delivery of required systemic changes, particularly in relation to climate change, diversity, equity and inclusion and the delivery of more sustainable business practice.

During the quarter, collaborative engagements included:

- Panel participation at a small and mid-cap companies Non-Executive Director event discussing the issue of greenwashing, investor ESG management and reporting expectations and the use of reporting frameworks, and the benefits of improving ESG disclosures for small and mid-cap companies.
- Signatory participation at a PRI workshop (Principles of Responsible Investing) entitled 'Changing the World', exploring the key issues for the future of responsible investing, reflections regarding the relevance of PRI's vision, mission and purpose, and how the PRI is serving the developing needs of signatories to ensure the delivery of signatory best practice in responsible investing. Our objective was to represent our perspectives as a niche equity investor, to ensure consideration and inclusion in policy development.
- CAM also attended a group meeting with the PRI as a part of the IIMI (Independent Investment Managers Initiative) discussing the PRI's 'Changing the World' policy development.
- Participation as part of the IIMI in an FCA consultation providing feedback on the proposed UK Sustainability Disclosures Regime (SDR). The proposed SDR regime is a labelling regime designed to tackle greenwashing.

Voting Record:

The principles that guide CAM's voting activity are laid out in the Chelverton Shareholder and Voting Policy. We consider voting an important shareholder right part and a key tool for escalating our shareholder action in the event this is required.

During the fourth quarter the Chelverton UK Equity Income Fund, UK Equity Growth Fund, UK Dividend Trust, and European Select Fund, in aggregate, voted on more than 600 company resolutions at shareholder meetings*, casting our votes in line with our Shareholder Voting and Engagement Policy.

In aggregate CAM voted against 12 resolutions and abstained from no resolutions during the period.

The breakdown of voting activity between individual funds during Q4 2022 was as follows:

Fund Name	Resolutions	Vote in Favour	Vote Against	Abstentions
UK Equity Income	196	196	0	0
UK Equity Growth	174	162	12	0
UK Dividend Trust	222	222	0	0
European Select	14	14	0	0
Totals*	606	594	12	0

(* For reasons relating to proportionality votes cast by the Chelverton Growth Trust are omitted. Further details available on request)

Chelverton consider all votes to be significant. However, in total, 12 Votes were cast from 31 Sept 2022 to 31 Dec 2022 which differed from the standard procedure of "Vote in Favour", as detailed in our Shareholder Engagement and Voting Policy. We consider the reasoning behind these votes to be significant to report and offer the following rationales:

- **Alphawave IP Group PLC - UK Equity Growth Fund (1 Vote Against)**

Alphawave IP listed on the UK stock market in May 2021 and is therefore relatively new to the world of quoted marketplace governance. The company contacted us in November 2022 seeking permission to alter their Long-Term Incentive Plan dilution limits. Implementation of this plan would mean the company management could fall heir to more than 10% of the company's equity within a 10-year time horizon. We support the Investment Association principles on remuneration which set out to promote long term value creation through transparent alignment with the agreed corporate strategy for a company. Those principles promote dilution limits for Long Term Incentive Plans to ensure "the rules of a scheme must provide that commitments to issue new shares ... when aggregated with awards under all of the company's other schemes, must not exceed 10% of the issued ordinary share capital in any rolling 10 year period." We informed the company that we were likely to vote against their proposals due to the divergence from these Investment Association principles. The company went ahead with the vote which took place on the 7th December 2022. The single resolution was approved by 92.7% shareholders "For" the proposal and 7.3% "Against". We will continue to express our concerns to the remuneration committee regarding this issue and seek the attachment of stringent performance criteria to this Long-Term Incentive Plan.

- **Reabold Resources – UK Equity Growth Fund (Votes Against 11 resolutions)**

In November 2022 Reabold Resources was subject to a request from Requisitioning Shareholders, representing 7% of the company's equity holders. They sought the removal of the Board of Directors of Reabold and their replacement with candidates proposed by the shareholder group. We are content with the progress made by the company, its strategy and the existing Board of

Directors. Consequently we voted against all 11 proposed resolutions to remove the Board of Directors. Votes In Favour were around 25%, Votes Against were approximately 75%, so the current Board remains in place.