



For immediate release

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CHELVERTON STEPS UP ESG SUPPORT FOR SMALL CAP COMPANIES

Sally Clifton appointed Head of Responsible Investing

Small Cap companies are under increasing pressure to adopt more sustainable business practices. As they lean into the challenge, Small Cap specialist Chelverton Asset Management, has stepped up the level of support it provides to investee companies, both on a one-to-one basis, and through targeted collaborative work.

Successful investment in nimble, under-researched companies requires a high level of commitment to company engagement – something which lies at the heart of Chelverton's investment approach. The Company devotes significant resources to meeting company managements and whilst Chelverton do not manage any specialist ESG mandates, as stock pickers they believe the way in which companies identify and manage ESG issues is an important indicator of management quality. Consequently, Chelverton believes that supporting the development of sound ESG risk and opportunity management within companies can be value creating, for both clients and wider stakeholders.

Good 'Governance' has always been a focus for Chelverton, but the Company is now actively addressing the lack of transparency regarding Environmental and Social pillar management by many Small Cap firms. Mindful of the requirement for asset managers to incorporate sustainability risks within investment processes and product governance, 2020 saw Chelverton appoint Sally Clifton as its first Responsible Investing Manager. It was at this point that the Company began to build a more structured approach to ESG integration, working closely with investee firms to support their needs as they develop ESG management capabilities at pace.

Clifton, promoted to Head of Responsible Investing in recognition of her work in developing Chelverton's ESG integration strategy and support for investee companies, found the fund managers enthusiastic from the outset, which she says, "enabled us to quickly structure and enhance our active stewardship, building a better ESG lens for a stock universe where data is scant and material ESG risks and opportunities are highly company specific. It is", she says, "an evolving process, but as we have worked to build our own database, it has informed our company interactions and helped us to provide targeted support for investee companies, where appropriate."

A template for progress: enhancing ESG management capabilities within Small Cap firms

In 2021, amidst the disruption of the pandemic, Chelverton wrote to investee firms outlining the growing importance the Company attaches to the management and reporting of material ESG issues, asking targeted questions about sustainability strategies and the integration of such strategies within business planning. Amongst its requirements, Chelverton asked investee companies to improve ESG management disclosures where possible, setting and reporting ESG targets and performance.



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This prompted discussions around the adoption of recognised ESG reporting frameworks, with Chelverton noting that *“poor or absent disclosures can negatively affect market perceptions, impacting market performance and the cost of capital.”* Chelverton have worked to share insights with companies with the aim of supporting investee firms as they develop their ESG management and reporting capabilities.

In 2022, in the wake of war in Ukraine, Chelverton have continued with this approach, using information gathered via questionnaires and company meetings to inform subsequent interactions, assessing management progress, and introducing expectations that Chelverton believes are important for all companies to address.

Targeted letters to investee companies make specific reference to expectations around:

- Climate change management and the associated prioritisation of energy efficiency
- Diversity, equity, and inclusion within the workforce
- The inclusion of meaningful ESG targets in executive remuneration packages

Follow-up engagement meanwhile encourages companies to report on the following:

- Material ESG risk assessments, using the Sustainability Accounting Standards Board materiality map or similar framework
- Details of sustainability strategy
- How sustainability strategy is integrated within the business plan
- ESG priorities and plans to develop monitoring and reporting capabilities

Next steps

For Clifton ESG is a journey, and as change trajectories accelerate, Chelverton sees the agility and resilience that so often characterises quality Small Cap firms as a distinct competitive advantage. *“Our investment managers devote significant resources to engagement with the support of the ESG team. We continue to develop constructive and supportive relationships with investee firms as they strive to communicate their ESG management strengths to the market more effectively. We will offer our help and support whenever possible.”*

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Those seeking further information/wishing to speak with Sally Clifton should contact:

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NOTES TO EDITORS

1. About Chelverton Asset Management

Chelverton was founded by Managing Director, David Horner, in 1998. A boutique asset management business, with offices in London, Bath, and Edinburgh, Chelverton invests in “*proper companies, that do proper things, managed by sensible people*”, and manages in the region of £2bn across five industry appraised funds; these are the multiple award-winning MI Chelverton UK Equity Income Fund, MI Chelverton UK Equity Growth Fund, MI Chelverton European Select Fund, Chelverton UK Dividend Trust PLC, and Chelverton Growth Trust PLC. All Chelverton managed funds have a focus on Small and Mid-Cap companies.”

In 2021 Chelverton became a signatory to the United Nations-supported Principles of Responsible Investing (‘UN PRI’), committing to report how the Company integrates ESG issues within investment processes and meets best-practice responsible investing standards. The Company also became an investor signatory to the Carbon Disclosure Project (‘CDP’), contributing to efforts to help develop a streamlined climate reporting framework for Small and Mid-Cap companies. Chelverton has also recently tendered its first UK Stewardship Code Report.

www.chelvertonam.com

2. About Sally Clifton

Sally has more than 20 years’ experience working in and around asset management. Trained as an equity analyst, she has worked for numerous institutions in analytical and fund management roles, progressively integrating ESG perspectives. Sally spent seven years at NPI (five years leading the UK Equity Investment team) before taking a career break; during this period, she studied sustainability as a key component of an MBA and worked as a business advisor to early-stage disruptive technology ventures and those adopting circular economy principles. Returning to asset management as Head of Responsible Investing for Quilter Investors, Sally brings significant experience across this broad landscape to Chelverton Asset Management.

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