



CHELVERTON
ASSET MANAGEMENT

**ENGAGEMENT AND VOTING REPORT
QUARTER 3/ 2022**

INTRODUCTION

The following report provides the Chelverton Asset Management Ltd (“CAM”) engagement and voting record for the third 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 activities to be value protecting and enhancing for clients, 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 Responsible Investing Manager, Sally Clifton at sdc@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 third quarter of 2022 CAM’s investment managers attended over 60 meetings with individual companies within our UK and EU investment universe, supported by CAM’s Responsible Investing Manager and Corporate Governance Manager, as appropriate.

The focus of discussions during these meetings 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.

Given ongoing inflationary pressures, tight labour markets, continuing supply chain issues, and recessionary expectations, the topics discussed most in one-to-one meetings during the quarter were as follows:

- Wage and other cost inflation
- Demand outlook
- Pricing power
- Structural changes in supply chain management
- Shortages of key components, materials, or other resources
- Resource efficiency, and in particular energy efficiency and cost management
- Management experience during previous recessionary periods
- Recruitment and retention issues

In addition to these meetings, CAM’s Environmental, Social and Governance (ESG) Team attended 3 focussed ESG meetings with individual company investor relations or sustainability experts. Discussions fell into 2 categories:

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

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

In the third quarter, as an integral part of achieving the objectives set out in CAM's Engagement Plan 2022, CAM wrote again to 140 investee companies reiterating ESG management expectations and offering support in the development of ESG capabilities where appropriate.

These engagement letters specifically 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 update our 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 focussed on representing the needs of small and medium sized companies and enabling their participation in the successful delivery of required systemic changes, particularly in relation to climate change and diversity, equity and inclusion.

During the quarter, collaborative engagements included the following:

- Participation in a public consultation seeking feedback on proposed guidance for companies to set science-based targets for nature, focussed on helping companies assess and prioritize environmental impacts ahead of target setting, beginning with freshwater. The consultation aimed to inform the first release of Science-Based Targets for Nature (SBTN), planned for early 2023. With the latest science reinforcing the urgency for action, this first release from SBTN for companies should include target-setting resources for freshwater as well as land, to complement those on climate from the Science Based Targets initiative.
- Participation in the CDP (Carbon Disclosure Project) Science-Based Targets campaign, aimed at accelerating the adoption of science-based climate targets in the corporate sector, to substantiate the roadmap for limiting global warming to 1.5 degrees above pre-industrial levels by 2050, in line with global agreements and the latest IPCC report (Intergovernmental panel on climate change).

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 part of our engagement strategy and a key tool for escalating our shareholder action in the event that this is required.

During the third quarter the Chelverton UK Equity Income Fund, UK Equity Growth Fund, UK Dividend Trust, and European Select Fund, in aggregate, voted on more than 1,000 company resolutions at shareholder meetings, casting our votes in line with our Shareholder Voting and Engagement Policy*.

The breakdown of voting activity between the individual funds in the third quarter of 2022 was as follows:

Fund Name	Resolutions	Vote in Favour	Vote Against	Abstentions
UK Equity Income	288	286	2	0
UK Equity Growth	518	508	10	0
UK Dividend Trust	238	232	6	0
European Select	37	37	0	0
Totals*	1081	1063	18	0

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

Chelverton consider all votes to be significant.

However, in total, 18 votes were cast between 30th June 2022 and 30th Sept 2022 which differed from our 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:

- **Randall & Quilter Holdings**

Following on from voting activity reported in the second quarter for this shareholding, the Chelverton UK Dividend Trust and Chelverton UK Equity Growth Fund each cast 4 votes against the re-election of 4 non-executive directors.

The background to this decision was a recommended cash offer for the company in the second quarter. Despite our engagement, the board recommended an offer from the company's largest shareholder in preference to going to the market to recapitalise. Chelverton believed the offer substantially undervalued the company. Chelverton voted against the offer which was rejected by a narrow margin, and the company subsequently successfully completed a Placing and Open Offer to recapitalise the company which we supported.

Despite the favourable outcome, having voiced our concern at the action of the board members, Chelverton chose to vote against the re-election of the 4 non-executive directors whom we believe have consistently failed to act in the best interests of all shareholders, both when the initial balance sheet problems came to light resulting in the need to refinance, and in a hasty recommendation of a cash offer by the company's largest shareholder substantially undervaluing the company.

- **Randall & Quilter Holdings**

The Chelverton UK Dividend Trust and Chelverton UK Equity Growth Fund each voted against 2 shareholder proposals which sought to replace the current CEO of the company and reinstall the previous CEO. We are supportive of the current CEO and the ongoing company strategy that he is leading, and therefore saw no reason to vote to replace him.

- **XPS Pensions Group**

The Chelverton UK Equity Income Fund and Chelverton UK Equity Growth Fund each voted against 2 resolutions relating to the re-election of the joint Chief Executive Officers.

Chelverton believe that responsibility for executive control is best served by having one Chief Executive Officer at the helm of a company. We have raised this issue with the management on

numerous occasions, but they remain steadfast in their belief in having dual Chief Executive Officers.

- **Euromoney**

The Chelverton UK Equity Growth Fund voted against 2 resolutions in relation to a recommended bid by Becketts Bidco Limited for the entire issued share capital of Euromoney, valuing the shares at £14.61 each. We believe this bid materially undervalued the company. However, a majority of eligible shareholders voted in favour and we therefore await the cash for our shareholding.