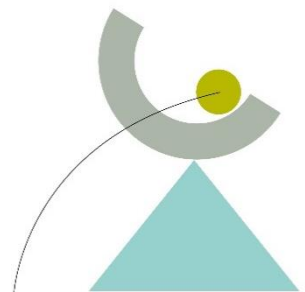




RESPONSIBLE INVESTMENT

ENGAGEMENT AND VOTING REPORT QUARTER 4 / 2023



INTRODUCTION

The following report provides the Chelverton Asset Management Ltd (“CAM”) engagement and voting record for the fourth quarter of 2023.

The report is intended to be read in conjunction with our Shareholder Engagement and Voting Policy, and annual Engagement Plan(s), 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.

Shareholder engagement and voting lie at the heart of every CAM investment strategy. We report our engagement and voting activity to the Financial Reporting Council (FRC) on an annual basis. Our UK Stewardship Code Report(s) are 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 sdc@chelvertonam.com.

RESPONSIBLE INVESTING CONTEXT

CAM is a responsible investor and committed signatory to the United Nations-supported Principles of Responsible Investing.

We recognise an evolution is taking place in what it means to be a responsible investor and understand that the use of general terms can lack clarity given the diversity of investing approaches that have emerged in recent years.

We welcome the clarity the proposed UK fund labelling regime should bring following the publication of the Sustainability Disclosures Regime (SDR) in the final quarter of 2023.

Prior to implementation, we offer the following infographic to explain our approach to responsible investing, based on guidance from the United-Nations supported Principles of Responsible Investing (PRI) and other relevant bodies, such as the Investment Association.

Style	Traditional Investment	Responsible Investment ESG Integration and Stewardship		Sustainability Characteristics	Sustainable Thematic	Impact
Definition	Limited or no consideration of ESG issues	ESG issues considered within analysis and decision making to protect and enhance investment returns	Active ownership of investments, including voting and engagement, to protect and enhance investment returns	Investments selected on defined sustainability criteria	Investments selected on defined sustainability themes	Investments targeting defined environmental or social returns
Examples	No systematic inclusion of ESG issues within investment processes	Systematic inclusion of material ESG risks and opportunities within investment processes	Responsible allocation, management, and oversight of investments	Best in class selection criteria Positive tilt selection criteria Exclusion criteria	Thematic inclusion criteria such as those relating to climate, water, biodiversity, or social themes	Impact measured against one or more of the UN Sustainable Development Goals
Approach	✗	✓	✓	✗	✗	✗

As a responsible investor 2023 has been another year of progression for CAM as we work to maintain the alignment of our investment processes with evolving expectations, for the benefit of our clients and wider stakeholders.

Within this context the fourth quarter has been dominated by following activities:

- Reviewing the progress of our Engagement Plan 2023 as the year draws to a close, ensuring we chase outstanding company interactions to ensure ESG issues are appropriately prioritised alongside financial considerations in our company engagements.
- Continuing to set out ESG management and reporting expectations to committed holdings through the circulation of our annual letter, focussing on the provision of ESG data, climate change management, human rights in relation to diversity equity and inclusion, nature restoration and protection, and the inclusion of meaningful ESG targets within executive remuneration. Our annual letter is available on request.
- Engaging in targeted meetings with selected committed holdings to discuss their ESG journey, provide ESG questionnaire feedback, and provide guidance on the development of ESG management and reporting capabilities where this may be helpful or appropriate.
- Reviewing our PRI assessment scorecard, returned in December following submission of our first report outlining our responsible investing activities to the PRI in the third quarter of this year.

ENGAGEMENT RECORD

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

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

- **TRADING PERFORMANCE AND STRATEGY UPDATES**

In the fourth quarter of 2023 CAM's investment managers attended 100 performance and strategy meetings with individual companies within our UK and EU investment universes, supported by CAM's Head of Responsible Investing and Corporate Governance Manager where appropriate.

The following list of topics were most discussed during the quarter:

- The effects of inflation on wages and other factors, such as raw material costs
- Company and household debt and the likely impact of interest rates trajectories on business and consumer confidence
- Exposure to AI opportunities and risks
- Supply chain issues and management
- Inventory levels
- Discussions relating to market valuations, investment decisions and share buy-backs.

- Updates relating to the management of ESG issues raised in our engagement letters to all companies in 2022 and 2023.

Managers noted a change in tone relating to macro perspectives, including moderating wage and cost inflation compared to earlier in the year. Similarly, managers noted reported order book normalization and the expectation of easing pressures on consumers as mortgage and interest rates fall in 2024.

Of note, the quarter featured conversations regarding depressed company valuations and the relative attractiveness of share buy-back decisions for those in a position to do so, relative to other investment opportunities.

During the fourth quarter the UK hosted the first global AI Safety Summit, which saw 28 nations and the European Union sign the Bletchley Declaration on AI Safety, initiating the first steps towards a global approach to managing AI-related risks and opportunities. Shortly afterwards, in December, the EU passed the EU Artificial Intelligence Act. Our UK and European fund managers have continued to stay abreast of these updates, discussing with relevant companies the impact of generative AI on operations, staff training, recruitment, and planning.

Finally, in the wake of delays and revisions to Net Zero implementation plans, primarily in the UK but also elsewhere, the fourth quarter heralded new UK and other initiatives to support green energy projects and energy infrastructure in the run up to the United Nations Climate Change Conference in Dubai, COP28.

Initiatives included proposed planning reforms to speed the implementation of energy projects and infrastructure, mirroring similar initiatives in the EU, and boosting the strike price for offshore wind, pledging to support more sustainable projects from 2025.

Also included was an announcement that the UK will lead efforts on the global plastic treaty.

Chelverton managers continued to discuss the impact of climate change and green initiatives on company planning as relevant, predominantly hearing that companies do not intend to alter investment plans to reflect policy delays given the climate change trajectory is set.

- **GOVERNANCE**

During the fourth quarter, CAM's Corporate Governance Manager engaged with a number of non-executive board members regarding future changes to base levels of executive remuneration, annual bonuses and long-term incentive schemes (LTIP) likely to be voted upon in upcoming meetings.

As mentioned previously, consultations in advance of shareholder voting are becoming the norm, with companies seeking shareholder views in advance of company meetings. In all cases we seek to emphasize a consistent view that performance metrics and targets should be challenging, sensitive to the experience and cost-of-living pressures of the wider workforce, needs of other relevant stakeholders, and include relevant ESG targets.

DURING THE QUARTER CAM CONTINUED TO DISCUSS SENSITIVE GOVERNANCE MATTERS WITH INVESTEE COMPANIES WHERE WE WISHED TO INFLUENCE OUTCOMES.

ESG INTEGRATION AND ENGAGEMENT

As mentioned, during the fourth quarter CAM received the PRI's assessment of our first PRI report since becoming a signatory in 2021, with the following outcome:

Policy, Governance and Strategy

★★★★☆

Direct – Listed Equity – Active fundamental

★★★★★

Confidence building measures

★★★★☆

The ESG Team continued to highlight relevant ESG issues to investment managers for inclusion in company meetings, as responses to ESG questionnaires sent out in earlier quarters were considered and discussed. We continued to provide feedback to committed holdings regarding questionnaire responses and ask further questions where this was deemed appropriate.

We followed up with those companies who had not yet responded to our requests for a questionnaire, emailing 70 companies in total, prioritising:

- Companies we had not received a questionnaire from in 3 years.
- Companies in which we have a larger holding or high stake.
- Any companies operating in a higher ESG risk sector.

Focused ESG meetings between the ESG Team and relevant company representatives form an iterative element of our annual Engagement Plan, as responses to letters and questionnaires highlight areas of need.

In the fourth quarter the ESG Team participated in 7 focussed ESG meetings outside of the normal company meeting cycle. We also responded in writing to 3 materiality questionnaires. In the ESG focussed meetings, the following topics were discussed:

- Proposed ESG management development plans, including recognised standards adoption.
- Proposed ESG reporting improvements.
- Governance structures
- Stakeholder consultations relating to material ESG risk.

COLLABORATIVE ENGAGEMENT

During the quarter, CAM participated in a PRI co-design workshop aimed at developing 'Progression Pathways' for signatories to advance their responsible investing practices. A progression pathway is a step-by-step journey for PRI signatories to develop and progress their responsible investment practice.

The ESG Team also attended a Taskforce for Nature-Related Financial Disclosures (TNFD) Biodiversity Conference and the Independent Investment Managers Initiative (IIMI) ESG Working Group. Both events focussed on the control of biodiversity risk within investment portfolios as a fast-evolving area of responsibility.

The IIMI is a member-led industry think tank representing smaller investment boutiques prioritising specialism over scale.

VOTING RECORD

The principles that guide CAM’s voting activity are laid out in the Chelverton Shareholder Engagement and Voting Policy. We consider voting to be an important shareholder right and a key tool for escalating shareholder action when required in the interests of clients and wider stakeholders.

Chelverton do not use the services of a third-party proxy voting advisor for voting advice, preferring to view company governance, and management and shareholder resolutions, within the context of company size, level of maturity, and our understanding of the dynamics of the company.

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 670 company resolutions at shareholder meetings*, casting our votes in line with our Shareholder Engagement and Voting Policy.

We voted against 3 resolutions and abstained from voting on 1 resolution during the period.

The breakdown of voting activity between the individual funds in Q4 2023 was as follows:

FUND NAME	RESOLUTIONS	VOTE IN FAVOUR	VOTE AGAINST	ABSTENTIONS
UK EQUITY INCOME	217	216	0	1
UK EQUITY GROWTH	192	192	0	0
UK DIVIDEND TRUST	216	213	3	0
EUROPEAN SELECT	50	50	0	0
TOTALS*	675	671	3	1

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

Chelverton consider all votes cast to be significant. However, in total, 4 votes were cast between 1 September 2023 to 31 December 2023 which differed from our standard procedure of “Vote in Favour”, as detailed in our Shareholder Engagement and Voting Policy.

We consider these votes to be significant to report and outline the rationale in each case below:

- iENERGISER - CHELVERTON UK EQUITY INCOME FUND (1 ABSTENTION)**

On 21 April 2023, iEnergiser Limited announced the proposed cancellation of listing on the AIM market. In May 2023, following the passing of a shareholder resolution, the cancellation took effect. To facilitate future shareholder transactions, the shares are now listed on the J P Jenkins Ltd share matching platform.

We were opposed to the cancellation of the listing on the AIM market as we considered the exiting share price offered undervalued the company. At the time of the offer, EICR (Cyprus) Ltd, the major shareholder in iEnergiser, held 82.74% of the shares. Hence our ability to influence the decision was limited. We now have a small residual holding in iEnergiser.

The Chelverton UK Equity Income Fund abstained from voting on one resolution at the most recent Annual General Meeting (AGM): Resolution 1 'To Receive and Adopt the 2023 Report and Accounts' on the basis the Report and Accounts were only sent to the shareholders registrars. Hence, we were unable to scrutinise the audited Report and Accounts in advance of the AGM voting.

We have now had the opportunity to review the Report and Accounts and we are content with the contents therein.

- **REVOLUTION BARS - CHELVERTON UK DIVIDEND TRUST (3 VOTES AGAINST).**

The Chelverton UK Dividend Trust voted Against 3 Annual General Meeting resolutions with the objective of discouraging further share issuances, given an earlier share issuance had been made at a deep discount to the then share price. The earlier issuance had been ear-marked for organic growth but subsequently used to make a large acquisition, leading to a requirement to increase debt and constraints on dividend payments.

The Chelverton UK Dividend Trust voted against:

- Resolution 10 – Directors be authorised to allot shares and grant rights to subscribe for or convert any security into shares.
- Resolution 11 – Subject to resolution 10, directors be empowered to allot equity securities for cash as if section 561(1) of the Companies Act did not apply (disapplication of pre-emption rights)
- Resolution 12 – Subject to Resolution 10, directors be empowered in addition to Resolution 11, to allot equity securities for cash as if section 561(1) of the Companies Act did not apply (disapplication of pre-emption rights).

Despite our abstention, all 3 of resolutions were passed with approximately 91% of shareholders voting in favour of each.

