Chelverton
ASSET MANAGEMENT

Responsible Investing Engagement Plan 2024

1. Introduction

The following document outlines the context, purpose and structure of the Chelverton Asset Management Limited Ltd (CAM) Engagement Plan 2024, which forms an integral part of CAM's wider investor stewardship activity, supporting the inclusion of environmental, social and governance (ESG) issues within our company engagements.

The document represents a continuation and progression of the structured ESG engagement work CAM began in 2021, which is now in its fourth year.

The document is intended to be read in conjunction with the following associated stewardship and responsible investing documents, which are all available to view on our website:

- UK Stewardship Code Report (s) 2021, 2022, 2023[1]
- United Nations (UN)-supported Principles of Responsible Investing (PRI) Assessment Report
- Shareholder Engagement and Voting Policy
- ESG Integration Policy contained within our Responsible Investing Policies Pack
- Engagement Plan(s) 2021, 2022, 2023
- Quarterly Engagement and Voting Report(s)

Interested parties requiring further details about this plan or any of our responsible investing activities should contact our Head of Responsible Investing, Sally Clifton at sdc@chelvertonam.com.

2. Context of the Engagement Plan 2024

CAM is a boutique asset manager dedicated to investing in quoted and AIM traded companies within defined investing niches.

CAM's predominant investing niche is UK small and medium-sized companies. However, CAM manage two funds permitted to invest across the company size spectrum and in other regions, one in Europe (ex UK) and the other globally.

The managers of the European (ex UK) fund share CAM's disposition to invest in small and medium-sized companies. However, the managers of the global fund invest in large companies, characteristic of the fund's global consumer staples investing niche[2].

CAM do not manage funds pursuing sustainability objectives. However, our investing purpose is to ensure the delivery of our client's investment objectives over the long-term. This necessitates considering the sustainability characteristics of the companies in whom we chose to invest.

Responsible investing sits at the heart of our investment approach, which we believe is delineated.

Our approach to responsible investing involves incorporating material ESG issues within our investment analysis and decision making, accompanied by structured stewardship to ensure the

[1] Submitted for review.

[2] Defined as companies operating within the Food, Beverage, Household Goods and Personal Care sectors.

prioritisation of relevant ESG issues in company engagements. The aim of this approach is to protect and enhance investment returns for clients.

Within each CAM investment process financial criteria come first. No company is considered for investment that does not meet the financial criteria set by the investment mandate.

Beyond this hurdle managers follow selection criteria focussed on investment quality characteristics that include ESG management and reporting. Managers look for appropriate opportunities to enhance value through active stewardship as part of the investment thesis.

CAM's predominant investing niche is typically under-researched, including by ESG ratings agencies, leading to valuation anomalies.

CAM do not rely on ESG ratings from external agencies, except for contextual or reporting purposes. However, we recognise that absent, anomalous, or contradictory ESG assessments, often resulting from poor company reporting, can negatively impact investor sentiment and inhibit more sustainable business practice, through capital misallocation and an increase in the cost of capital.

CAM are committed to addressing this issue through our annual Engagement Plan, encouraging investee companies, including any larger companies for whom this may be an issue, to disclose ESG management data in a structured way adopting recognised reporting frameworks and control standards that can enable fair market assessments.

Although we do not pursue sustainability objectives, we are committed to identifying and targeting the mitigation of systemic issues we consider the collective responsibility of all system participants to address, to protect competitive advantage and ensure future market stability.

- Supporting our Responsible Investing Activities:

Since establishment in 1998 CAM has always acted as a responsible investor. However, in 2021 we became signatory to the PRI with the aim of providing greater transparency regarding our approach to responsible investing.

We submitted our first PRI report in 2023, at our earliest opportunity given delays in the PRI reporting cycle.

CAM received the following scorecard from the PRI, summarising the alignment of our approach with PRI signatory principles.

PRI Principles for Responsible Investment

Policy, Governance and Strategy
★★★★☆
Direct – Listed Equity – Active fundamental
★★★★★
Confidence building measures
★★★★☆

Our full PRI Assessment Report is available Here:

Responsible Investing is defined by the PRI as the incorporation of ESG issues into investment decision making processes with the aim of improving risk management and returns.

PRI signatories commit to six responsible investing principles:

- Principle 1: Incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: Be active owners and incorporate ESG issues into ownership policies and practices.
- Principle 3: Seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: Promote acceptance and implementation of the principles within the investment industry.
- Principle 5: Work together to enhance our effectiveness in implementing the principles.
- Principle 6: Report on our activities and progress towards implementing the principles.

This Engagement Plan is designed to support our pursuance of principles 1, 2, 3, 5 and 6.

Principle 4 is indirectly supported by this Plan and directly supported by our investment communications that include ESG Bulletins and topical commentaries for professional investors and wealth managers who invest on behalf of the ultimate beneficiaries of the assets that we manage.

o ALIGNING WITH THE UK STEWARDSHIP CODE:

CAM are signatories to the UK Stewardship Code, which outlines a best practice approach to stewardship centred on the context, purpose, activity, and outcome of stewardship activities.

Stewardship is defined in the UK Stewardship Code as the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Engagement and voting are central tenets of stewardship, involving purposeful dialogue and shareholder voting at shareholder meetings.

Our engagement and voting principles are laid out in CAM's Shareholder Engagement and Voting Policy. We report engagement and voting activity on a quarterly basis in our Engagement and Voting Reports and provide annual UK Stewardship Code Reports to the Financial Reporting Council. All shareholder engagement and voting policies and reports are available Here.

This plan is designed to ensure the alignment of our stewardship activities with the aspirations of the UK Stewardship Code 2020.

3. PURPOSE OF THE ENGAGEMENT PLAN 2024

The purpose of this Engagement Plan 2024 is to progress the company and collaborative engagement work that began in 2021.

Our aim is to support the development of more sustainable business practice to protect and enhance investment returns for investors.

In 2021 we set out to achieve the following:

- Encourage and enable improved ESG management and reporting from committed holdings and those within our investment universe, as appropriate.
- Inform targeted discussions regarding relevant ESG issues alongside financial matters during regular company engagement meetings.
- Support our activities as signatory to the UN- supported Principles of Responsible Investing.

- Align engagement activity with the best stewardship practice set out in the UK Stewardship Code 2020.

In 2022 we progressed this work to include gathering information and setting expectations for committed holdings relating to three specific issues deemed relevant for all companies to consider, to ensure responsible business practice and future market stability:

- Climate change management.
- Diversity, equity, and inclusion (DEI).
- The inclusion of meaningful ESG targets within executive remuneration packages.

In 2023 we used the information gathered in prior years to target improvements in the following, monitoring portfolio level progress:

- The adoption of a credible carbon emissions reduction strategy, preferably including a science-based Net Zero target aligned with national commitments.
- The adoption of a diversity, equity, and inclusion strategy for leadership and within the wider workforce, preferably aligned with general adherence to accepted global norms for responsible and ethical business practice.
- The inclusion of meaningful ESG management targets within exec remuneration packages to support the delivery of targets.

In the wake of the UN Biodiversity Conference (COP15) which highlighted the need for accelerated global action to halt and reverse nature loss to protect the environment and ensure climate stability, we included an additional company expectation within our Engagement Plan 2023, supported by an update to our ESG Questionnaire to enable monitoring:

- The inclusion of biodiversity considerations within environmental policies, including appropriate focus on efficient energy, water, and waste management.

As with other issues, follow up engagements focussed on holdings with the most significant biodiversity impacts, whilst recognising that all system participants have a responsibility to manage impacts as appropriate to ensure competitive advantage and future market stability.

Moving forward, in 2024 we plan to build further upon our progress to date.

We will continue to engage on the aforementioned issues, using the information gathered in prior years to target company interactions and promote management improvements wherever appropriate.

However, in 2024 we will progress our engagements in response to the rapid adoption of networked new technologies designed to improve operational efficiencies and deliver required system change.

Our attention is focussed on the need to consider the responsible design, development, and use of these technologies given the ubiquitous impacts and asymmetrical control boundaries of networked capabilities, particularly in relation to generative Artificial Intelligence (AI).

We plan the following iterations to the Engagement Plan 2024:

- Reference to generative AI in our annual letter to holdings.

We will highlight the European Union AI Act as an early regulatory initiative seeking to address the risks and opportunities of AI in health, safety, fundamental rights, democracy, the rule of law, and the environment.

We will outline how this Act is framing our view of the need for companies to carefully consider the boundaries of technology risk given prevalent asymmetries in the control of networked capabilities vulnerable to cyber-attack and privacy issues, ahead of internationally agreed control frameworks.

We have updated our ESG Questionnaire in this regard to gather insight into how our committed holdings are approaching this technology challenge, looking at the level of adoption of the following:

- An AI Strategy
- An AI Policy
- AI Governance structures and leadership
  - Additional enhancements in relation to biodiversity considerations

Regarding wider enhancements we have also updated our ESG Questionnaire to include a question relating to any planned adoption of Task Force on Nature-Related Financial Disclosures (TNFD), in the wake of Task Force on Climate-Related Financial Disclosures (TCFD), where this may be relevant.

In 2024 we will continue to look for opportunities to participate in collaborative work that supports the needs of those within our investing niches as they seek to control material ESG risk, adopt more sustainable business practice, and contribute as system participants to the control of wider systemic risks that are the recognised responsibility of all stakeholders to address.

In 2024 we will not be asking all small and medium-sized committed holdings to complete and ESG Questionnaire, but instead are introducing ESG Engagement Surveys for some companies.

ESG Engagement Surveys are a new initiative introduced following good response levels to prior questionnaire requests and improved reporting by many of the companies in whom we invest.

ESG Engagement Surveys are designed to reduce the burden on companies of completing a questionnaire annually, whilst maintaining systemised tracking of specific topics and responses to new questionnaire fields added during the current year.

In 2024 we will only request an ESG Questionnaire from new committed holdings, those companies who have yet to respond to prior requests, or those from whom we would like to see broader levels of management improvement.

4. Structure

4.1. Company Engagement

Company engagement is iterative, tailored to company size and level of maturity, and follows defined stages on a rolling annual cycle, as follows:

Stage 1:

Send an annual letter outlining our management expectations following a segmented approach, dependent upon whether a committed holding is new or existing, the size of the company, and the level of company maturity.

Letters are sent to Chief Finance Officers and/or designated executives and are accompanied by a request to complete one or other of the following:

- An ESG Questionnaire seeking forward looking information in a standardised format designed to fill prevalent data gaps and inform subsequent interactions.
- An ESG Engagement Survey monitoring progress in areas specified in previous years and introducing additional questions now of interest.

Letters to our smallest companies include an invitation to view and discuss our ESG questionnaire with the aim of increasing understanding regarding available ESG management and reporting standards and frameworks, discussing baseline expectations for those at an early stage in bringing increased structure to their management approach.

Annual letters continue to explain our view regarding the importance of responsible business and effective leadership, emphasising the advantages of structured ESG management and reporting adopting accepted standards and frameworks to ensure the market has the data required for fair assessment.

Letters in 2024 include reference to the need for more sustainable business practice in a less secure world undergoing a technology-driven transformation with ubiquitous consequences, climate change, resource over-exploitation, damaging levels of pollution and waste, and the need for ethical business practice that upholds accepted Global Norms, such as UN Global Compact Principles, UN General Principles of Business and Human Rights, and International Labour Organization Convention.

We ask for consideration of the following:

- The adoption of a credible carbon emissions reduction strategy, preferably a science-based Net Zero target aligned with national commitments.
- The inclusion of biodiversity considerations within environmental policies, including appropriate focus on efficient energy, water, and waste management.
- The adoption of a diversity, equity, and inclusion strategy for leadership and within the wider workforce.
- The inclusion of meaningful ESG management targets within exec remuneration packages to support the delivery of targets.
- The adoption of an AI strategy supported by appropriate leadership, skills and training, and including an AI Policy addressing the responsible development and use of next generation capabilities, as relevant.

Stage 2:

Responses to letters and questionnaires are monitored by the ESG Team to provide standardised information that can inform subsequent interactions and, where appropriate, our voting behaviour in line with our Shareholder Engagement and Voting Policy.

Follow up engagements target improvements in the following where appropriate:

- The quality of material risk identification.
- The communication of the sustainability strategy.
- Levels of integration of the sustainability strategy within the business strategy.
- The direction of travel including priorities and commitments regarding ESG management.
- Progress and development of ESG reporting capabilities.

The following is a sample list of some of the issues targeted by CAM's ESG questionnaires.

Environmental Factors	Social Factors	Governance Factors
Climate change	Supply chain issues including human rights abuses	Board Independence
Water scarcity and security	Talent management and labour relations	Committee structures
Energy security	Community relations	Financial disclosures
Deforestation	Product safety	Shareholder rights
Biodiversity	Trade practices	Remuneration

Questionnaires are updated annually in response to evolving needs and relevant regulatory trajectories.

In 2024 updates have included new questions relating to:

- AI Governance, Strategy and Policy Development
- Task Force on Nature Related Financial Disclosures (TNFD)

Stage 3:

Progress is monitored and subsequently reported in published responsible investing transparency reports.

4.2. Collaborative Engagement

Our investment approach is premised on nurturing constructive relationships with the management of companies in whom we invest. Consequently, we prefer to address individual company issues of concern on a one-to-one basis wherever possible.

However, in 2021 we set out to participate more actively in collaborative work that supports the progression and adoption of more sustainable business practice, particularly the inclusion of small and medium-sized companies in efforts to address systemic risk.

In 2021, 2022 and 2023, collaborative work with regulators, such as the Financial Conduct Authority (FCA), and signatory bodies such as the PRI and CDP (Carbon Disclosure Project) targeted the following:

- Consideration of the needs of small and medium-sized companies in the design of standards and frameworks that support the control of climate and nature-related risks.
- The inclusion of boutique investors in the design of the UK Sustainability Disclosures Regime (SDR)
- Participation in signatory letters to larger companies failing to disclose environmental impacts using recognised frameworks.
- Efforts to improve company disclosure of the management of plastics pollution.

In 2024 we will continue with this type of collaborative work, looking for relevant opportunities to collaborate with regulatory and signatory bodies, and other shareholders via industry bodies in relation to larger companies, targeting the following:

- The design of regulation and best-practice frameworks to support more sustainable business practice.
- Signatory and industry working groups seeking to progress more sustainable business practice and more effective control of systemic risk.
- Collaborative company engagements via signatory bodies targeting more sustainable business practice and the control of systemic risk.

We will report on the nature and outcome of our collaborative work annually in our UK Stewardship Code Report.