Responsible Investing Policy Pack 2024

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Responsible Investing at Chelverton Asset Management

The following document outlines the Chelverton Asset Management Limited ('CAM') ESG Integration Policy and collates summary details of associated responsible investing policies, plans and reports into this Responsible Investing Pack.

The pack and associated documents are available in the Responsible Investing Resources section of the Chelverton Asset Management website:

The pack provides key information regarding the following:

- ESG Integration Policy 2024
- Shareholder Engagement and Voting Policy 2024
- Annual Engagement Plan(s)
- United Nations (UN)-supported Principles of Responsible Investing (PRI) Assessment Report
- UK Stewardship Code Report (s)
- Quarterly Engagement and Voting Reports
- ESG Risk Management Framework

Policies and plans are discussed and reviewed on a regular basis as the need arises, at least annually, and all changes are approved by the Board.

BACKGROUND

Established in 1998, 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[1].

As bottom-up stock pickers CAM's investing purpose and culture set the tone for how we invest and seek to create value for our clients.

CAM do not manage any funds pursuing a sustainability objective as part of the investment mandate. However, our investing purpose is to ensure the delivery of our clients' investing objectives over the long-term. This long-term lens requires careful consideration of the sustainability characteristics of the companies in whom we invest.

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

We understand that small and medium-sized companies are neither immune from the impact of systemic risk, nor without a significant role to play in the delivery of required change, creating risks and opportunities that must be considered as part of the investment case.

Similarly, we recognise larger companies have an interest in ensuring future access to scarce resources and a responsibility to help control systemic risks given the scale of their environmental and social impacts and market expectations regarding more sustainable business practice.

As boutique investors we are focussed on these issues. We believe as experts within investing niches our approach to capital allocation can capture superior investment returns when combined with company engagement to monitor the investment case and support improved management and reporting of material environmental, social and governance (ESG) issues that have a bearing on company success.

Within our investment processes financial criteria come first and no company is considered for investment that does not meet the financial criteria set by the investment mandate.

Beyond this hurdle all strategies follow a selection process premised on quality characteristics, such as a healthy company culture, strong governance and sound strategy. As investors, we look for opportunities to enhance investment value through active stewardship as part of the investment thesis.

As a majority employee-owned business with a flat management structure and small team, our culture ensures we adopt appropriate structures and processes to support our approach to

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

responsible investing, including dedicated meetings, management oversight, and ESG risk control parameters.

We do not outsource any aspect of investment decision-making or stewardship and do not rely on third party ESG services except for contextual and reporting purposes.

The structures and processes we adopt to support our investment approach are discussed and agreed as a whole team, including the principles and policies that guide our investing activities. This is an iterative process, designed to ensure we remain alert to change and consistently able to deliver our investing purpose.

In 2020, we identified the need to provide greater clarity for clients regarding our approach to responsible investing given the diversity of approaches that has emerged. This prompted CAM to take steps to improve our transparency by becoming signatory to two best practice reporting frameworks:

- The revised UK Stewardship Code 2020
- The United Nations-supported Principle of Responsible Investing (PRI)

Following acceptance as UK Stewardship Code signatories in 2021, maintaining signatory status has required the annual submission of a report to the Financial Reporting Council detailing the continued alignment of our stewardship practice with the principles set for signatories.

CAM are committed to annual reporting and implementing suggested improvements to our stewardship by the Financial Reporting Council where possible.

We submitted our first PRI report in 2023. This was our earliest opportunity to report given delays in the PRI reporting cycle.

We received the following scorecard summarising the alignment of our approach with the principles set for PRI signatories.

PRI | Principles for Responsible Investment

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

CAM's full PRI Assessment Report is available HERE:

We recognise an evolution has taken place in what it means to be a responsible investor and that the use of general terms can lack clarity given the diversity of investing approaches that has emerged.

The PRI and other recognised bodies, such as the Investment Association[2], have attempted to provide greater clarity for investors by agreeing terminology regarding the accepted approaches to responsible investing.

The following infographic summarises the range of different responsible investing styles that have been identified and highlights the position of CAM's approach within the range:

Style	Traditional Investment	Responsible Investing ESG Integration and Stewardship		Screening	Thematic	Impact
Definition	Limited or no consideration of ESG issues	ESG issues considered within analysis and decisions to protect and enhance investment returns.	Active ownership of investments, including voting and engagement, to protect and enhance investment returns.	Investments selected on rules-based sustainability criteria	Investments selected on defined sustainability themes	Investments targeting positive, measurable social and/or environmental impact, alongside a financial return
Examples	No systematic inclusion of ESG issues within investment processes	Systematic inclusion of material ESG issues within investment processes	Responsible allocation, management and oversight of investments, including exercising influence towards common economic, social and environmental goals	Best-in-class selection criteria Norms-based selection criteria Exclusions* Positive selection criteria Negative selection criteria	Thematic inclusion criteria such as those relating to climate, water, biodiversity or social themes	Impact measured and reported against one or more of the UN Sustainable Development Goals
Approach	×	✓	✓	×*	×	×

**This investing approach applies only to the Chelverton Select Consumer Staples Fund*

CAM-managed funds do not apply selection criteria limiting, excluding or selecting investments on sustainability criteria alone, except for the Chelverton Select Consumer Staples Fund[3]. However, all managers follow investment process steps that ensure ESG risks are systematically identified, and exposures monitored, and a structured stewardship plan that ensures appropriate focus on relevant ESG issues.

ESG issues addressed by CAM's stewardship plan, known as the annual Engagement Plan, include climate change, biodiversity loss, and the need to support more sustainable and ethical business practice aligned with accepted global norms.

This year our Engagement Plan also includes consideration of the new technologies that are driving operational efficiency and required system change, given the potential social and environmental impacts of resource hungry networked systems exhibiting asymmetrical controls, most notable generative AI.

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[2] https://www.theia.org/sites/default/files/2019-11/20191118-iaresponsibleinvestmentframework.pdf

[3] Further details outlined in the investor prospectus.

As a responsible investor CAM welcomes the clarity provided by our regulator, the Financial Conduct Authority, following confirmation of the new UK Sustainability Disclosure Requirements (SDR).

CAM has reviewed relevant policies and investor communications to ensure they remain fair, accurate and not misleading, as required by the anti-greenwashing rule detailed within the SDR regime.

As mentioned, no CAM-managed fund pursues a sustainability objective as part of the investment mandate, nor has a sustainability-related term in the fund name, and thus no CAM fund intends to adopt a sustainability label when this aspect of SDR comes into force.

For clarity, regarding the EU Sustainable Finance Disclosure Regulation (SFDR), only the Chelverton Select Consumer Staples Fund (CSCSF) considers the EU criteria for environmentally sustainable economic activities as no other CAM fund is actively marketed in Europe and thus is not subject to this regime.

The following document details the steps we follow to integrate ESG issues within our investment analysis and decision making, outlining the central role active stewardship plays in our investment approach.

ESG Integration Policy

Overview:

As previously mentioned, 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.

CAM-managed funds do not apply selection criteria limiting, excluding, or selecting investments on sustainability criteria alone, exception for the Chelverton Select Consumer Staples Fund[4].

However, our focus on the investment quality characteristics we believe help sustain competitive advantage tends to exclude companies managing high levels of ESG risk poorly and/or without a credible strategy.

Stewardship lies at the heart of our investment approach. We consider our skill when engaging with investee companies to be a core competency. It is central to how we build investment conviction over time. Given our investment universe is largely under-researched and published information can be sparse, we consider effective engagement to be value protecting and enhancing for clients.

We have a company policy that guides our engagement and voting activity. This policy forms an integral part of this policy pack in combination with CAM's annual structured Engagement Plan.

In 2021 we published an inaugural Engagement Plan designed to ensure appropriate focus on ESG issues during company engagements. The plan has evolved from communicating expectations regarding ESG management and reporting to committed holdings, to include specific expectations regarding company participation in the control of systemic risks considered the responsibility of all market participants, to ensure sustained competitive advantage and future market stability.

Structured engagement work continues to iterate.

Our Shareholder Engagement and Voting Policy, annual Engagement Plan(s), and associated reports are available to view HERE.

We engage with every committed small and medium-sized holding regarding ESG management and reporting, via an annual letter accompanied by either an ESG questionnaire or more recently an ESG Engagement Survey, to ensure we have the information we require for investment decision-making.

We set out the importance we attach to ESG management and detail our reporting expectations. Importantly we offer support to our smaller companies regarding their development of appropriate ESG management and reporting capabilities as an important element of how we aim to create value for clients.

Our Engagement Plans outline how the information we gather is used to inform engagements on relevant ESG issues, as appropriate.

[4] Further details are provided in the investor prospectus.

Cheverton's general approach to engagement and voting deters us from collaborating with other shareholders when addressing issues with individual companies except in exceptional circumstances. However, we are committed to collaborative engagement in other ways.

We pro-actively seek out collaborative engagements that serve the needs of those within our investment niches, particularly focussing on the needs of small and medium-sized companies as they work to improve ESG management and contribute to the delivery of required change.

Our Purpose and Culture Support ESG integration and Stewardship:

Our business is employee-owned, and we are a culture-led business. Our culture is purposeful, inclusive, and collaborative, creating a collegiate environment that strongly aligns our business and investing objectives.

Our Chief Investment Director and Director of Investment Trusts sit on the Board of Chelverton, whilst also attending monthly Investment Team ESG meetings in their roles as fund managers.

The Board review pertinent risks on a quarterly basis, including material ESG risks highlighted during regular ESG meetings. The Board are ultimately responsible for all risks and for approving ESG policies designed to control ESG risk, enhance investment value, and capture ESG opportunities.

Our purpose is to ensure the delivery of our client's investment objectives over the long-term through leveraging niche investing expertise.

Our purpose has driven progressive investment in ESG resources by the business since 2018, to support the work of CAM's Investment Teams.

The business has built an ESG Team, led by the Head of Responsible Investing and including a Corporate Governance Manager. The ESG Team work alongside the Investment Teams providing analysis and support, with a particular focus on governance as a key indicator of management quality.

The ESG Team have recently moved their shared company engagement tracker to a new engagement tracking system, that brings together qualitative data and voting records to better inform engagement activities.

The business has also invested in ESG subscription services used for contextual and reporting purposes. These services enable portfolio level ESG risk monitoring and reporting using data from Integrum ESG Services. This ESG information feeds into regular ESG meetings, interim discussions between team members, and company engagements when relevant.

Those responsible for Responsible Investment and Compliance review fund ESG risk data on a quarterly basis, highlighting any marked or unexplained deterioration in risk trend data in respect of the portfolios.

The business has invested in ESG training, with investment team members up to Fund Manager level receiving ESG Integration and Stewardship training during 2022, followed by more senior team members and new employees in 2023, as appropriate.

Our culture is supported by a variety of policies and procedures. These include a Staff Handbook, and Code of Conduct, which together outline our obligations and expectations regarding how we work together and with our partners, to serve clients and other stakeholders.

Consistency is ensured by appropriate training and these policies include equal opportunities, conflicts of interest, anti-bribery and corruption, data protection, whistleblowing, acceptable behaviour, and disciplinary and grievance. Policies are reviewed and updated on a regular basis.

As a business the Board established an ESG working group in 2021 with the aim of improving ESG management at a business level, ensuring operational decisions include consideration of ESG criteria wherever relevant.

In 2021 we began work with Carbon Analytics who are experts in carbon foot-printing and reporting using financial transactions, working to identify and reduce our business-level emissions in line with national Net Zero commitments[5], as part of our commitment to Responsible Business

In 2023 the Board approved a Responsible Business Policy, focussed on 3 commitments:

1. Our commitment to responsible investing
2. Our commitment to our people
3. Our commitment to managing our environmental and social impact.

Company culture meetings were introduced in 2021 and are sponsored by our directors. They are designed to reinforce company values and shared objectives.

Our inaugural culture meeting included a guest presentation by the Carbon Disclosure Project (CDP), to whom we are investor signatories, on the topic of company environmental management and reporting.

In 2022, we focussed on the importance of Diversity, Equity and Inclusion at both the company and investment level and our meeting included a presentation by the female founder and CEO of

[5] https://www.gov.uk/government/publications/net-zero-strategy

Finncap, the largest corporate advisor and brokerage firm for UK listed small and mid-cap companies.

We concluded 2022 with a meeting that discussed the evolution of the annual Engagement Plan using the proprietary data we have collected, discussing our preparedness for setting targets in relation to climate change or other risks should our clients request this.

In 2023, our first culture meeting was hosted by Oliver Lee OBE and focussed on the advantage of values-based leadership during periods of change. Our second meeting involved team discussions regarding important responsibilities for our business, including the new Consumer Duty considering ultimate investor vulnerability, our business-level carbon emissions reduction plan, and diversity, equity and inclusion within CAM.

Over the last three years Chelverton have adopted an increasingly structured approach to ESG integration and Stewardship, increasing the number of ESG integration touch points within each of CAM's investment processes and widening the range of engagement topics, targeting company ESG management and commitments to help build our oversight and reporting capabilities.

ESG Integration Steps:

General Approach:

As discussed, all CAM managers follow agreed ESG integration steps within their investment process.

CAM's general approach is summarised as follows:

Whilst this general approach is followed by all managers there are nuanced differences between the ESG integration approach of the UK, European (ex UK), and global strategies.

Differences primarily relate to the adoption of proprietary ESG scores by our Europe (ex UK) fund managers, and the consideration of principle adverse impacts on sustainability factors by global fund managers.

No investment team relies on ESG pillar scores from a third-party ESG service provider. However, CAM reference underlying ESG data from Integrum ESG Data Services for contextual and reporting purposes.

The reason we choose not rely on third party ESG scores relates to many factors, including the following:

- Scoring inconsistencies between providers and a lack of transparency regarding the use of estimated data that cannot be interrogated by some service providers.
- Lack of coverage and/or poor-quality research of small and medium-sized companies by some data providers.
- The backward lens of third party ESG data, considered particularly problematic for investors in agile small and medium-sized companies.
- The scoring methodologies of third party ESG data providers that tend to favour large stocks over small and medium-sized stocks.

Macro ESG Inputs

Managers follow a bottom-up approach to investment selection. As such our strategies are macro aware but not led, including in respect of ESG risks and opportunities.

Macro ESG perspectives are discussed in regular ESG meetings, supplemented by informal interactions between the ESG and investment teams on an ad-hoc basis, to ensure this context informs decisions.

Regular ESG meetings support consideration of macro ESG perspectives as follows:

- ESG risk horizon scanning, focussed on global commitments, regulation, and policy relating to climate, deforestation, resource depletion, biodiversity loss, pollution controls, human rights abuses, and technology adoption including generative AI.
- ESG opportunity horizon scanning, focussed on systemic problem-solving including transition technologies, digitisation, circularity, and other resource efficiency enablers.

The ESG team and investment teams have access to contextual macro ESG research via Bloomberg and ASR ESG Macro Research.

Pre- Investment ESG Sense Checks

Managers apply pre-investment ESG sense checks with the objective of controlling ESG risk.

All investment teams have access to recognised material ESG risk maps and company level ESG data via Integrum ESG services and Bloomberg information services, which includes summary ESG research from a range of different sources such as Sustainalytics and ISS.

Managers appreciate that sector /industry level material risk mapping provides only a guide to company level ESG risk exposure, given material risks are company specific. However, the rationale for reference to sector/industry level material risk mapping is to allow managers to consider company risk within a relevant context, to help evaluate the expected level of company management focus.

Two investment risk control steps follow if the overall sector risk is considered 7 or above on a scale of 1 (low) to 10 (high), having scanned all available inputs:

- If an appropriate level of company focus is immediately apparent the team can proceed with an initial investment as a prelude to conviction building.
- If there are any concerns as to the viability of the investment from the ESG perspective, the company can be referred to the Head of Responsible Investing and/or Corporate Governance Manager for further due diligence.

In either case, the rationale for investing in companies exposed to higher levels of ESG risk is recorded via an internal Investment Decision Log, which is completed for all new investments.

During conviction building managers have access to the support of the ESG Team if required, as they undertake further due diligence prior to a stock becoming a committed holding.

The ESG team can perform ESG deep-dive research across each E, S, and G pillars, where this is considered prudent due to the overall level of ESG risk.

Regional Variations in Approach to ESG Integration:

1. UK Strategies

UK managers do not favour the adoption of in-house ESG pillar scores for committed holdings, placing greater weight on dynamic perspectives such as ESG focus, future plans, and the direction of management travel.

Managers consider these dynamic factors to be more appropriate when assessing the potential of the agile, often less mature, small and medium-sized companies in whom they seek to invest.

ESG assessments by the ESG Team are summarised as required using dynamic assessment diagrams containing the 8 communication fields, as shown below. Progress is monitored as appropriate over time and the ESG Team provide updates when required:

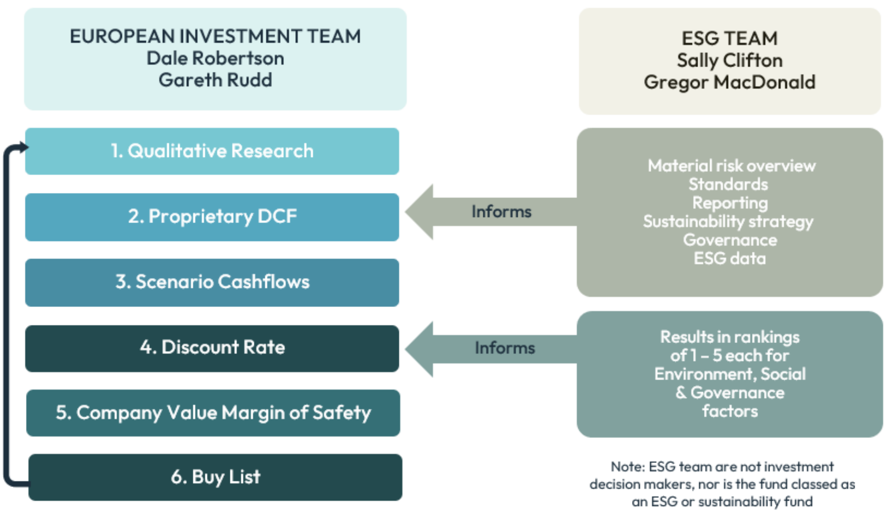
1. Overall sector level ESG risk
2. Quality of material risk mapping
3. E performance
4. Maturity of the sustainability plan
5. S performance
6. Level of integration of the sustainability plan within the business plan
7. G performance
8. Direction of ESG management travel

The ESG Team monitor and report ESG risk trend data using Integrum ESG Services for all UK managed funds on a quarterly basis.

2. European Strategy

European (ex UK) managers do favour the use of in-house ESG pillar scores, using the scores to inform the discount rate applied to future cashflow projections, to reflect the level of ESG risk identified by in-house research.

ESG integration in the Europe (ex UK) investment process, including the involvement of the ESG Team when required, is summarised by the following diagram:



New ideas are shared between the ESG team and Europe (ex UK) managers when relevant, and both teams undertake qualitative research.

The ESG Team support the following research as required:

- Material Risk Overview, involving an assessment of how well relevant risks have been identified by the company.
- Standards review, involving an assessment of expected standards adoption and accreditation levels.
- Reporting, involving a review of the level and sophistication of ESG reporting.
- Sustainability Strategy, including a review of integration within the business strategy.
- Governance, including board independence, committee structures, shareholder rights and remuneration.
- Integrum data used to highlight ESG risk exposures and company reporting gaps, contextualising internal analysis.
- Trend data used to identify progress towards targets and highlight developing opportunity.

Key points are documented and shared with the managers as required, feeding into in-depth fundamental research. The dynamic communication tool favoured by UK managers is also provided on request, where considered relevant for smaller European portfolio holdings.

Companies in the investable universe are scored after discussion between the ESG and Investment Team, on a scale of 1-5, with 1 being 'best' and 5 'un-investible'.

In line with CAM's general approach to responsible investing, the managers will not generally invest in a company in a high ESG risk industry showing below average management, without credible signs that the company is focussing on more sustainable business practice and is improving ESG management and reporting.

The ESG Team monitor and report ESG risk trend data using Integrum ESG Services for the European (ex UK) fund on a quarterly basis.

3. Global Strategy

Global managers run a concentrated portfolio of large companies operating in the consumer staples industry, defined as the Food, Beverages, Household Goods and Personal Care sectors.

Like our UK and European (ex UK) managers, global managers focus their attention on material ESG risk, Governance including Board independence, diversity, committee structures, remuneration and shareholder rights; the company Sustainability Strategy including integration within the business plan, the level of adoption of relevant ESG management standards and reporting frameworks, and ESG targets and progress.

Unlike UK and European (ex UK) managers, global managers invest predominantly in large companies demonstrating sophisticated ESG management with granular reporting capabilities.

Reference to material ESG risk mapping highlights companies operating within the consumer staples sectors are generally exposed to moderate levels of ESG risk primarily related to climate change, resource depletion, pollution and waste management. Our global managers recognise the quality of company sustainability management as a key component of future company success and follow diligent process steps to ensure expected levels of ESG management and reporting are evident, in line with CAM's general principles. The managers' approach has a tendency to select companies from the consumer staples investment universe with a lower risk profile than peers.

Global managers choose not to adopt in-house ESG pillar scores or adjustments to the discount rate applied to individual company cashflows, preferring to focus on management performance relative to industry metrics on carbon, water and waste management, adherence to accepted global norms for ethical business practice including human and labour rights in supply chains, and the credibility of management targets to control negative environmental and social impacts. Where necessary, the managers adjust the forecasts in their models to incorporate any identified costs or benefits associated with relevant ESG risks and opportunities.

Whilst the fund has no sustainability objective, the investment mandate excludes investment in the following:

- Companies involved in the production or distribution of weapons banned under the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (the "Ottawa Treaty"), the Convention on the Prohibition of Cluster Munitions ("Oslo Convention") and B- and C-Weapons pursuant to the United Nations Biological Weapons and Chemical Weapons Conventions
- Companies deriving more than 10% of turnover from the production or distribution of tobacco or tobacco products.
- Companies deriving more than 10% of turnover from the production or distribution of fossil fuels.
- Companies deriving more than 10% of turnover from adult entertainment or associated products.
- Companies deriving more than 10% of turnover from gambling or distribution of gambling products.

The managers report the Principle Adverse Impacts (PAIs) of their investment decisions on sustainability factors, in line with the requirements of the European SFDR regime, as the only CAM strategy subject to this reporting regime. The managers rely upon data provided by Integrum ESG services as inputs for these reports.

Like all CAM managers, the global team are highly knowledgeable within their investing niche but can rely on the specialist support of the ESG Team when required.

The ESG Team monitor and report ESG risk trend data using Integrum ESG Services for the global fund on a quarterly basis.

Stewardship and ESG Engagement

Stewardship lies at the heart of every Chelverton investment strategy.

CAM's Shareholder Engagement and Voting Policy 2024 sets out the principles that guide our approach to stewardship.

Chelverton are signatories to the new UK Stewardship Code 2020, having reached to standard expected of signatories by the Financial Reporting Council (FRC).

Our UK Stewardship Code Reports are available HERE . As previously mentioned, these reports form an integral part of this Responsible Investing Pack, outlining how our stewardship activities align with the 12 Principles set out for signatories and how our approach to voting supports our stewardship.

Quarterly Engagement and Voting Report(s) are available HERE, detailing our engagement activity during each quarter and our voting record.

Ongoing signatory status requires the annual acceptance of a report, and we currently await acceptance of our latest report for calendar year 2023.

Once a stock enters a portfolio as a committed holding, CAM engage with small and medium-sized holdings outlining our ESG management and reporting expectations, gathering additional information by proprietary ESG questionnaire as required.

We engage with larger holdings regarding identified topics as required, given generally more sophisticated levels of ESG management and reporting.

CAM's annual Engagement Plan details how we engage and the issues upon which we focus. These plans are iterative and include collaborative work.

Engagement Plans detail the context and purpose of our ESG engagement during each calendar year and we monitor and report progress against each plan in our annual UK Stewardship Code Report(s).

Annual plans include methods to support smaller committed holdings in their efforts to improve ESG management and reporting, as required. We consider targeted engagement with less mature holdings to be particularly value creating.

Engagement Plans include an annual letter to committed small and medium sized holdings accompanied by an ESG questionnaire request or ESG Engagement Survey, depending upon need in the current year.

Questionnaires are designed to fill prevalent ESG data gaps and inform subsequent engagements with small and medium-sized holdings, ensuring the prioritisation of ESG issues that may impact company performance alongside financial considerations.

ESG Engagement Surveys are a new initiative introduced from 2024 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 relevant topics alongside responses to new questionnaire fields added during the current year.

Annual Engagement Plans forms an integral part of this Responsible Investing Pack.

Below is an abridged version of CAM's Engagement Plan 2024. The full version is available HERE

Engagement Plan 2024

Context and Purpose:

The purpose of the 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 required system change.

Our attention is focussed on the need to consider the responsible design, development, and use of these technologies given their ubiquitous impacts and limited control boundaries, 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

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 now 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 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.

Structure:

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 Tracking 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.

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.

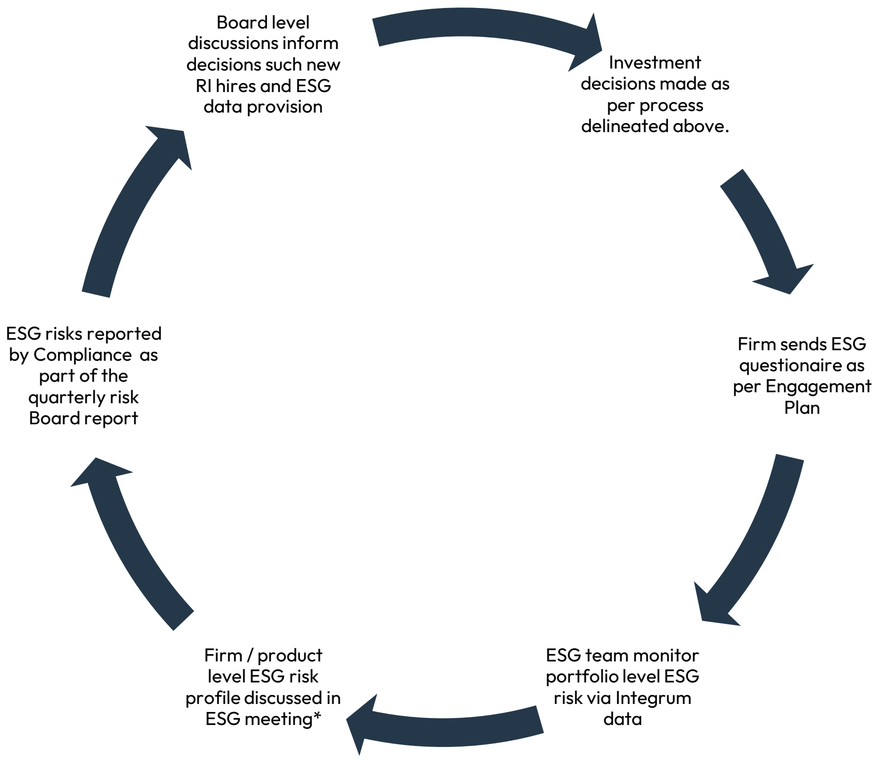
Risk Management Framework

Oversight and Governance

Integrating consideration of sustainability risks across all investment processes is driven by tone from the top.

CAM's board of directors retain overall responsibility for all risks, including ESG risks. The CIO and Director of Investment Trusts are present at all UK Equity Meetings and ESG Meetings, where all risks in the portfolio can be discussed.

The process for risk monitoring and reporting is iterative and as follows:



*Attended by Compliance Officer, CEO, CIO, and Director of Investment Trusts

CAM believe in the circularity of oversight. Since the CIO and Director of Investment Trusts are involved in the day-to-day investment management of the company, the level of risk appetite flows through the company in an efficient and integrated way. None of the risks, reported by Compliance in the quarterly Board meetings will come as a surprise to the CIO or Director of Investment Trusts, as they are involved in managing many of those risks.

For the avoidance of doubt, the Board has a Non-Executive Chairperson to allow for independent oversight of the company's governance processes and procedures.

Strategy and Targets

CAM's investment processes are designed to control exposures to ESG risks that we then monitor. CAM does not currently set targets in respect of portfolio ESG risk reduction, relying on our selection processes to maintain and control portfolio levels of ESG risk.

The Board monitor ESG trends within the portfolio should there be a marked or unexplained deterioration.

Composite ESG Grades and risk exposures, including Principle Adverse Impacts in relation to the Chelverton Select Consumer Staples Fund, are monitored using Integrum ESG data and discussed. Spikes in any exposures or changes in the ESG risk profiles are investigated, with rationales sent to compliance for record keeping.

The Board recognises that ESG risks can impact investment returns and uses the policies and procedures in this pack to manage those risks, in line with its fiduciary and regulatory obligations.

Systems and Capability

Risk Infrastructure – CAM has identified two levels of risk identification. Primarily the employees of the company, from its Board Members through to its Fund Managers, the ESG team and Compliance team, all have responsibilities to manage ESG risk.

CAM has eighteen employees. It is within the company's culture for staff to pick up on any issues and not leave it to someone else. Therefore, each member of staff is a key component in ensuring ESG risk is managed.

For example, if a fund manager does not identify a high-risk investment prior to a new investment decision, the investment cannot be reviewed by the ESG Team, and the high-risk investment might make its way into the portfolio impacting the fund's ESG Grade and risk exposures, which will then be reported to the Board by Compliance.

The Board considers the management of ESG risk as part of the performance of individual staff. Marked or unexplained dips in ESG performance will be investigated as contrary to the Board's desire to see an improving ESG footprint for all funds. Where performance indicates additional training or resources are required to maintain ESG risk control, this is supported.

Therefore, CAM's people are always the key part of the risk infrastructure. This is particularly the case with ESG risk where it has been recognised that data provision is widely disparate amongst data providers. CAM have chosen to subscribe to Integrum ESG Services given the greater transparency and coverage offered by this service and consider the data within the context of our proprietary ESG data and detailed knowledge of our investing niches.

CAM's approach to training is that in most cases, unless required from a regulatory perspective, everyone should oversee their individual training plan, with guidance from their line manager. In this way, the company's principals see individual development as self-directed. This is part of the ethos of the company. That said, in addition to the expertise of the ESG Team, at least one member of each investment team is encouraged to undergo specialist training in the identification of ESG risks and implementation of active stewardship.

Processes

The process for risk is to:

- Identify – As highlighted above, identification of risk comes both pre and post investment, and is managed, either by deeming an investment to be un-investible, or via the engagement process.
- Measure – Assuming the stock has been deemed investible, the ESG risk will be measured using data insights from Integrum ESG Services in combination with CAM's proprietary investment process.
- Respond– Any changes to the risk profile of the stock and how it impacts the portfolio will be monitored via the process stated above. In the first instance, any change to the portfolio composition will be investigated.
- Control – Any material change will be controlled via the company's engagement process. Ultimately, if the investment risk is deemed too high, CAM may divest depending on prevailing market conditions.
- Monitor – If the investment is retained, the risk will be monitored via the CAM's engagement plan and Integrum ESG data as appropriate.

Annual ESG Risk report

As a part of our Responsible Investing Policy development, Chelverton compile an annual summary of our exposure to ESG risk, showing year on year comparisons, in so far as data is available.

We report and discuss the following:

1. ESG Grades and risk exposures using Integrum ESG Data for the covered portions of our portfolios.
2. Net Zero Portfolio Temperature Alignment using Integrum ESG Data for the covered portions of our portfolios.
3. New controversies arising in relation to portfolio holdings using Integrum ESG Data for the covered portions of the portfolios and other relevant inputs.
4. In relation to the Chelverton Select Consumer Staples Fund, monitoring of the Principle Adverse Impacts of portfolio holdings using Integrum ESG data.

As a part of our Responsible Investing policies development, we review our reporting capabilities on a regular basis, and at least annually, in response to:

- Evolving client needs.
- Relevant regulatory changes relating to fund disclosures or labelling.
- Relevant signatory expectations.