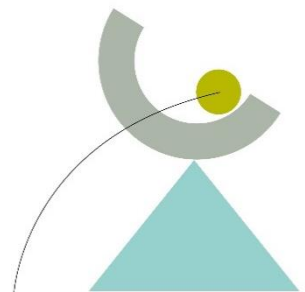




RESPONSIBLE INVESTMENT

ENGAGEMENT AND VOTING REPORT
QUARTER 3 / 2024



INTRODUCTION

The following report provides the Chelverton Asset Management Ltd (“CAM”) engagement and voting record for the third quarter of 2024.

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 or Corporate Governance Manager, Gregor Macdonald at gcm@chelvertonam.com.

RESPONSIBLE INVESTING CONTEXT

CAM is a responsible investor, believing this approach can deliver long-term benefits for clients, beneficiaries, the economy, environment, and wider society.

We recognise an evolution is taking 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 have emerged.

The PRI and other recognised bodies have attempted to offer clarity regarding accepted approaches to responsible investing, by agreeing terminology.

The below infographic summarises the range of different responsible investing styles identified and highlights the position of CAM’s approach within this 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 control investment risk.	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	x	✓	✓	x*	x	x

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

**The Chelverton Select Consumer Staples Fund is the only CAM managed fund to follow an exclusion policy.*

As a responsible investor the third quarter was again busy as we worked to ensure the alignment of our investments with the evolving risks, opportunities, and market expectations identified by our investment processes.

We continued to monitor the progress of our companies, engaging to protect and enhance investment returns for our clients over the long term.

Within this context the third quarter was dominated by the following activity:

- Meeting existing investee companies to monitor the investment thesis.
- Meeting other companies within our investment universe to maintain our understanding of the investment opportunity should the market valuation become attractive enough to invest.
- Implementing aspects of our annual Engagement Plan, now in its 4th year, designed to support ESG integration and ensure financially material ESG issues are appropriately prioritised in our company meetings.
- Submitting our annual report to the PRI outlining how our ESG Integration and Stewardship aligns our investing and stewardship activities with the principles set for signatories.
- Participating in collaborative work targeting the control of financially material systemic risk.
- Participating in collaborative work supporting the role of boutique investors contributing to more efficient capital allocation within defined investing niches.

ENGAGEMENT RECORD

The purpose and principles which guide our engagement activities are laid out in the Chelverton Shareholder Engagement and Voting Policy, which is reviewed and updated annually, as appropriate.

The focus of company meetings ranges from:

- Trading, performance, and strategy updates with executive teams.
- Discussions with non-executive board members regarding board composition, committee structures, and executive remuneration.
- Dedicated ESG discussions regarding any ESG management or reporting issues considered financially material to the investment thesis, where appropriate.

TRADING PERFORMANCE AND STRATEGY UPDATES

In the third quarter of 2024 CAM's investment managers attended 134 meetings with investee companies held within our UK, European, and Global (Consumer Staples) funds, supported by CAM's ESG Team where appropriate. This represents meetings in aggregate with approximately 43% of our committed holdings eligible for engagement adhering to our criteria.

In addition to these meetings our managers met 16 companies not currently held.

The following list of topics were most discussed during these one-to-one meetings with senior executive teams:

- The impact of UK and EU elections on company expectations.

The competing impact of upbeat UK economic data and downbeat rhetoric regarding the state of the country's finances ahead of the Chancellor's Autumn Budget was discussed in relation to business and consumer confidence.

Regarding UK Budget expectations, we asked all the AIM Listed companies we met during the period about the degree to which their shares are held by IHT (Inheritance Tax) investors, and their plans should this business relief be withdrawn (as rumoured). Many of those with a decent IHT shareholder base were exploring what a move to the Main Market would mean for them.

We asked European holdings about the perceived impact of the political move to the right in Europe, particularly on industrial strategy and ongoing support for growth in areas such as green transition and innovation.

Other topics included:

- The ongoing effects of inflation and interest rate expectations on demand and supply for goods and services and the impact on company operations and investment plans.
- Normalisation of Supply chain issues, and the impact that has had on company and customer inventory levels (including the impact of de-stocking), and future expectations as companies look ahead to the resumption of growth.

- The impact on upcoming elections in the US, China's growth stimulus package, Japan's first increase in interest rates since 2007, and the likely future impact of any further trade tariffs between China and other regions.

GOVERNANCE

Our Corporate Governance Manager continued to engage with remuneration committees regarding future changes to base levels of executive remuneration, annual bonuses and long-term incentive schemes (LTIP) likely to be voted upon in upcoming shareholder meetings.

Consultations in advance of shareholder voting have become increasingly the norm and we engage when we would like to influence outcomes.

We emphasize a consistent view that performance metrics and targets should be challenging, remain sensitive to the experience and cost-of-living pressures of the wider workforce and, in line with our aim to control our exposure to systemic risk, include meaningful and challenging ESG targets.

ESG INTEGRATION AND ENGAGEMENT

The ESG Team continued to highlight relevant ESG issues to investment managers for inclusion in company meetings, providing pre-meeting insights ahead of 18 meetings in response to Investment Team requests. This represents focussed ESG input ahead of approximately 14% of meetings held during the quarter.

During the quarter we implemented aspects of our annual Engagement Plan designed to ensure adequate focus on financially material ESG issues in company engagements.

We sent approximately 275 letters to committed holdings outlining our expectations regarding ESG management and reporting, accompanied by either a full ESG questionnaire request or shorter ESG survey request, focussed on the following issues:

- Material risk assessments using the SASB materiality map or similar recognised framework.
- The development of an integrated sustainability strategy within the business plan, aligning with accepted global norms for responsible business practice.
- The disclosure of ESG management priorities, including targets, and the governance structures in place to support delivery.

The aim of this ongoing engagement is the control of financially material risk, including 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 asked again for company 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 widespread adoption of new technologies that can enable improved operational efficiencies and the delivery of required system change, has focused our attention on the responsible design, development and use of these technologies, particularly in relation to generative Artificial Intelligence (AI).

Our engagement letter highlighted 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.

The Act frames our view of the need for companies to 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 asked our companies questions about the level of adoption of the following:

- An AI/Disruptive Technology Strategy
- An AI/Disruptive Technology Policy
- AI/Disruptive Technology Governance structures and leadership

Focused 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 third quarter the ESG team attended two meetings outside of the normal company meeting cycle, with two relatively new holdings in our European fund:

[Dassault Aviation](#) is a French aerospace company with a proven dual expertise as a manufacturer of military aircraft and business jets. The investment thesis is strong, and we have identified considerable ESG management strength which we believe should support the company's competitive advantage and future growth trajectory. Having initiated ESG engagement, the company approached us to discuss our annual engagement letter and ESG questionnaire, offering us the welcome opportunity to discuss relevant matters and, in particular, present the case for improvements in market ESG communications, given the relative inaccessibility of some data. We will continue to monitor any progress in this regard.

[GTT](#) (Gaztransport & Technigaz) is a French engineering technology company engaged in designing containment systems for the transportation of Liquefied Natural Gas (LNG). The company hold the license for lining LNG carriers with cryogenic membranes that ensure safe and more efficient transportation, dominating the segment with 60 years of technology know-how. We met with the company alongside a small group of investors and our ESG team were able to ask for an update on the ESG management roadmap, confirming GTT await SBTi approval of their Net Zero Transition pathway and have recruited a new leadership role to improve customer communications regarding product Scope 4 emissions calculations (GHG emissions avoided) and other efficiency advantages that support their competitive advantage, particularly in Asian markets where demand is strong given the pressing need to transition the regions energy supplies from coal to gas.

COLLABORATIVE ENGAGEMENT

We believe collaborative engagement can be a valuable contributor to future market stability when targeted at the control of systemic risk. We focus primarily on two types of collaborative work:

- Engagements that support the needs of companies within our defined investing niches, recognising them as important system participants who share a responsibility to control systemic ESG risk which, in turn, helps us control investment risk.
- Engagements that support the needs of boutique investors seeking to allocate capital efficiently within investing niches that may be under-represented in the design of regulation, standards, or reporting frameworks encouraging more sustainable business practice as a means of controlling systemic risk.

During the quarter we participated in two events within this context:

- The CDP's UK Signatory Day which show-cased the introduction of the new 2024 integrated climate, water and deforestation questionnaires, including the first Small and Medium Sized Enterprise (SME) questionnaire. Chelverton previously participated in the development of the SME questionnaire.

The CDP also presented an analysis of new plastics disclosure questions and an exploration of nature-based reporting and disclosure trends. Chelverton participated in the development of the new plastics disclosure questions, and we continue to participate in collaborative work supporting nature-based disclosures understanding the nexus between climate and biodiversity risk.

- We participated as PRI signatories in second-round focus group testing of proposed new Progression Pathways for Responsible Investors, providing feedback on the design of alternative Progression Pathways aimed at supporting more sustainable business practice as a means of controlling systemic risk.

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 third quarter of 2024, Chelverton's UK Equity Income Fund, UK Equity Growth Fund, UK Dividend Trust, European Select Fund, The Investment Company, and Global Consumer Staples Fund, in aggregate, voted on more than 980 company resolutions at shareholder meetings, casting votes in line with our Shareholder Engagement and Voting Policy.

In total, we voted against 5 resolutions during the period.

The breakdown of voting activity between the individual funds in Q3 2024 was as follows:

FUND NAME	RESOLUTIONS	IN FAVOUR	AGAINST	ABSTENTIONS
UK EQUITY INCOME	226	224	2	0
UK EQUITY GROWTH	428	426	3	0
UK DIVIDEND TRUST	267	266	0	0
EUROPEAN SELECT	49	49	0	0
THE INVESTMENT COMPANY	19	19	0	0
CONSUMER STAPLES	0	0	0	0
TOTALS*	989	984	5	0

*For avoidance of doubt, the Chelverton Global Consumer Franchise Fund has been renamed the Chelverton Select Consumer Staples Fund.

Chelverton consider all votes cast to be significant. However, in total, 5 votes were cast during the quarter 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 thus offer the following rationales:

- ALPHAWAVE IP - CHELVERTON UK EQUITY GROWTH (1 VOTE AGAINST)

In September 2024 the company sought approval at an Extraordinary General Meeting, to amend the rules of the company's Long Term Incentive Plan (LTIP). The directors were seeking to allow an additional 10% of options to be made available for award to executives over the next 5 years. The board have already awarded 9.54% of the share capital since the company floated 3 Yrs 4 Months ago. Both sets of awards breach the Investment Association guidelines regarding dilution in connection with executive option schemes, which limit dilution to 5% in 5 years and 10% in 10 years. There are no specified performance targets associated with the proposed LTIP. We voted against the resolution based on the lack of performance targets associated with any future awards in addition to the large dilution which will happen to the other shareholders.

The result of the Extraordinary General Meeting saw the resolution passed with 77.96% of shareholders voting in favour.

- XPS PENSION - CHELVERTON UK EQUITY INCOME (2 VOTES AGAINST)

We continue to vote against the re-election of the 2 joint Chief Executives. We 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 Executives.

The result passed with 99.05% of shareholders voting in favour.

- TYMAN – CHELVERTON UK EQUITY GROWTH (2 VOTES AGAINST).

A bid for the company was announced in April 2024, and was taken to the shareholders at a Court Meeting and General Meeting on 12th July 2024. We do not believe the bid price offered represented good value for a company trading on cyclical lows. Therefore, we voted against both resolutions to approve matters relating to the recommended cash and share offer by Quantex Building Products Corporation.

The recommended cash and share offer for the company was passed with 86.72% of shareholders voting in favour.

