Chelverton
ASSET MANAGEMENT

Responsible Investment

Engagement and Voting Report
Quarter 4 / 2024

INTRODUCTION

The following report provides the Chelverton Asset Management Ltd ("CAM") engagement and voting record for the fourth 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	×	✓	✓	×*	×	×

**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. That fund is SFDR Article 8 and measures outcomes against the Principal Adverse Impacts. Please note that no UK domiciled CAM fund has a sustainable objective or sustainable outcome and that nothing in this record implies that the funds are managed with a sustainability investment objective.*

As a responsible investor the fourth 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 fourth 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.
- Reviewing the PRI's assessment of our second annual signatory report, detailing how our approach to ESG Integration and Stewardship aligns with the best practice principles set for signatories.
- Participating in relevant collaborative work supporting the needs of companies within our investing niches.

- 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.

Trading Performance and Strategy Updates

In the fourth quarter of 2024 CAM's investment managers attended 91 meetings with investee companies held within our UK, European, and Global (Consumer Staples) funds, supported by CAM's ESG Team where appropriate. Whilst a quieter quarter this nevertheless represents meetings with over 25% of the committed holdings.

In addition to these meetings our managers met with 13 companies not currently held.

Conversations were framed by the following events during the quarter:

- Generally, the re-election of Donald Trump to presidential office in the US, given his trade tariff and tax cutting agenda, alongside calls for increased defence spending by NATO partners. Trump's proposed agenda poses potential challenges to growth, inflation, and interest rate expectations in some regions, but also opportunities for many of our companies.
- In the UK, Chancellor Rachel Reeves' first Labour budget in 14 years, confirming higher costs for UK businesses potentially impacting investment and recruitment plans in the face of more subdued growth expectations and sticky inflation.
- In Europe, ongoing political uncertainty particularly in France and Germany.

All managers discussed company resilience and mitigation plans under these scenarios, alongside general trading updates.

Investment in efficiency gains in 2025 and beyond, particularly those enabled by the rapid advancement in AI, were a focus for discussion in many cases.

In the UK, managers asked AIM Listed companies how the announced reductions to IHT reliefs in the budget would impact them, now the situation is clearer.

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, inputting to just under 8% of meetings held during the quarter in the form of:

- Pre-meeting insights ahead of 4 UK company meetings, in response to manager requests.
- Reaching out to 3 UK companies regarding specific ESG issues identified as potentially material, asking for discussion.
- Holding 1 focussed UK one-to-one company meeting.
- Completing 1 European holding stakeholder materiality questionnaire.

In all cases focussed ESG discussions related to the maturity of company ESG management and discussing the benefits of reporting relevant ESG data to the market to enable fair assessments.

We offer the following by way of example:

Kitwave Wholesale Group is a wholesale supplier of frozen, chilled, fresh foods and other products to independent retailers across the UK. Listed on AIM in 2022, Kitwave have been maturing operational policies and procedures at pace in line with the growth of the business, including through acquisition. The ESG Team requested a meeting to discuss progress in aspects of ESG Management, including improving market transparency regarding management structures and adopted standards and accreditations to ensure risk controls. The management welcomed our observations regarding current levels of transparency, including the suggestion in may be useful to publish Group policies, describe central control systems, and provide more detail regarding how individual group companies implement policies. We look forward to seeing an evolution in reporting over time.

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

The Team sent out approximately 171 follow-up requests for information to committed holdings, outlining our expectations regarding ESG management and reporting and asking again for completion of either an updated ESG questionnaire (46 requests) or shorter ESG survey (75 requests).

Our letters and questionnaires focus 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

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 3 IIMI (Independent Investment Managers Initiative) co-ordinated events within this context.

The IIMI is a member-led industry think tank representing specialist, entrepreneurial investment boutiques.

- We contributed to the drafting of a letter to the City of London Lord Mayor, as part of a review of UK capital markets. We were able to share views regarding the impact of proxy voting on executive remuneration and concerns regarding the impact on smaller companies of governance frameworks designed predominantly for larger corporations.
- We participated in a Diversity, Equity and Inclusion (DEI) working group, tasked with designing support materials for small boutique investment management firms to promote equity and inclusion for women within these workplaces.
- We contributed to the drafting of a letter to Her Majesty's Treasury (HMT) and Financial Conduct Authority (FCA) regarding proposed regulatory reform of Investment Trusts, with the aim of promoting consideration of smaller specialised Investment Trusts within any proposed regime.

VOTING RECORD

The principles that guide CAM's voting activity are detailed 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 quarter, Chelverton have added an additional fund to this voting report following our appointment as manager, providing a voting report for 7 funds, namely the Chelverton UK Equity Income Fund, UK Equity Growth Fund, UK Dividend Trust, European Select Fund, The Investment Company, Select Consumer Staples Fund, and UK Opportunities Fund.

During the quarter, Chelverton voted on more than 720 company resolutions at shareholder meetings, casting votes in line with our Shareholder Engagement and Voting Policy.

In total, we voted against 1 resolution during the period.

The breakdown of voting activity between the individual funds in Q4 2024 was as follows:

Fund Name	Resolutions	in Favour	Against	Abstentions
UK Equity Income	180	180	0	0
UK Equity Growth	159	159	0	0
UK Dividend Trust	213	213	0	0

European Select	58	58	0	0
The Investment Company	96	96	0	0
Consumer Staples	24	23	1	0
Opportunities	0	0	0	0
Totals*	730	729	1	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, 1 vote was 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 this vote to be significant to report and thus offer the following rationale:

- Procter & Gamble – Chelverton Select Consumer Staples Fund (1 Vote Against)

The Annual General Meeting of Procter and Gamble included a shareholder resolution. This resolution proposed the Board include 'the quantitative median and adjusted pay gaps across race and gender and risks relating to recruiting and retaining diverse talent' in future company reporting.

The Board recommended voting against this Shareholder proposal, summarising their views as follows.

"P&G's pay practices are based on:

(1) a clearly articulated compensation philosophy;

(2) a well-defined set of compensation policies and structure; and

(3) robust execution and pay equity audit processes.

The key drivers of pay at P&G include paying competitively based on job, experience, and impact. We stay true to our compensation philosophy through well-defined policies and systems that are intentionally designed to minimize potential for bias.

Through our pay equity audit systems, we leverage industry best practices and state of the art statistical software to analyse our data, both at a country level and more granularly for groups of employees within a country who do similar work, as part of our Annual Compensation Process.

Building on nearly 10 years of pay equity audits, our most recent 2023 pay equity audit results confirm that P&G's approach to compensation is delivering against our commitment to equitable pay globally. We are happy to report our adjusted pay gap results in line with the proponent's request:

• Gender (global): The global adjusted pay gap between male and female is 0.64%, i.e., for $1 a man earns, a woman earns $0.9936.

• Race/Ethnicity (U.S. only): In the U.S., the adjusted pay gap between white and multicultural groups is 0.5%, i.e., for $1 a white employee earns, a multicultural employee earns $0.995.

We are pleased that these pay equity results are well within the normal expected range of variance over such a significant employee population. P&G will continue to publicly report annually our adjusted pay gap for gender globally and for race/ethnicity in the U.S.

The "unadjusted gap" or "median gap" proposed in this resolution does not consider legitimate factors that influence compensation (job level, performance, job-related skills, experience, etc.) and, as a result, it does not accurately reflect whether employees are being equitably paid and does not provide any meaningful or actionable information about compensation practices or policies."

Our managers agreed with the Board in this case and therefore Chelverton voted against the Shareholder Resolution.

The recommended management vote against the Shareholder Resolution passed with 1,182m against the proposal, and 508m for the proposal.