

ESG INTEGRATION POLICY 2025

1 Introduction

The following document outlines the Chelverton Asset Management's ('CAM') ESG Integration Policy.

The policy is intended to be read alongside our annual UK Stewardship Code Report, quarterly Engagement and Voting Reports, and Shareholder Engagement and Voting Policy and Engagement Plan, available to view on our website [HERE](#).

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.

Interested parties requiring further details about this policy or any of our other responsible investing activities should contact us at info@chelvertonam.com.

2 Context of the ESG Integration Policy 2025

Established in 1998, CAM is a boutique asset management company predominantly investing in quoted and AIM traded small and medium-sized companies in the UK and Europe. Managers follow a bottom-up approach to stock selection, managing open-ended and closed-ended funds.

The funds we manage are listed below.

OEIC Funds:

MI Chelverton UK Equity Growth ¹
MI Chelverton UK Equity Income
MI Chelverton European Select
MI Chelverton UK Opportunities

Open-ended UCITS Funds:

Chelverton Select Consumer Staples
FS Chelverton Global Technology Fund
FS Chelverton Thyra Fund

¹ Plus additional mirrored portfolio in a segregated mandate – BI-Fonds G100 Aktien (Chelverton)



Closed-ended Investment Trusts

Chelverton UK Dividend Trust plc
The Investment Company

CAM's OEIC, open-ended UCITS funds and closed-ended investment trusts invest 100% in quoted equity shareholdings and AIM traded equities.

CAM invests predominantly in small and medium-sized companies in the UK and Europe (ex UK). However, we also now invest in some global equities and companies across the size spectrum in our UCITS and some of our OEIC funds.

3 Our Approach to ESG Integration

3.1 Investment Philosophy

We believe responsible investment can deliver long-term benefits for clients, beneficiaries, the economy, environment, and wider society.

Our boutique approach allows us to maintain deep, specialised knowledge with high levels of company engagement that we believe can create long-term value for our clients. By integrating material ESG considerations into our rigorous investment process, we aim to identify well-managed companies poised for long-term success.

While we do not manage sustainability-focused funds, we firmly believe that integrating material ESG factors into our investment process is essential for:

- Optimising our management of investment risk and opportunity
- Improving the quality of our company engagement and stewardship
- Fulfilling our fiduciary duty to clients
- Contributing to the long-term stability and efficiency of financial markets

We consider a company's management of material ESG issues as an indicator of management quality and long-term competitive advantage.

At the core of our investment process is the stewardship of the assets we manage, which we see as both a key activity and a source of long-term value creation. Our engagement with companies helps us understand investment dynamics, monitor risks, and, where appropriate, drive positive change within targeted companies for the benefit of our clients.



Each investment team follows its own strategy and approach, shaping their investment and stewardship activities to align with their distinct objective and niche. The investment managers of each fund undertake stewardship and engagement activities with the support of CAM's dedicated Corporate Governance Manager and external Environmental, Social and Governance (ESG) partners working alongside them.

Investment managers across CAM share a focus on certain financial and non-financial investment quality indicators, including free cash flow metrics, balance sheet strength, and management quality indicators. We believe strong governance is a key management quality indicator and this is a primary focus for our stewardship, alongside understanding each company's approach to the management of relevant environmental and social factors.

We believe that integrating relevant ESG factors into our investment approach adds value for our clients by:

- Optimising our management of investment risk and opportunity
- Improving the quality of our company engagement and stewardship
- Fulfilling our fiduciary duty

Our approach is to foster constructive relationships with the management teams of our holdings through regular engagement. We engage in purposeful dialogue on all matters that may impact the success of the company and returns to shareholders, in line with our purpose.

3.2 Evolution of our ESG approach

During 2024 we continued to advance our ESG integration and engagement practices. Transitioning our ESG data provider from MSCI to Integrum ESG has allowed us to better capture the nuances of our investment universe, while the implementation of our new engagement tracking platform, GoldVision, has enhanced the transparency and effectiveness of our stewardship activities.

Towards the end of 2024, we transitioned from an in-house ESG team to a partnership with sustainability and stewardship specialists, Canbury Insights, who, alongside our internal Corporate Governance Manager, make up our sustainability and stewardship expertise. Canbury Insights' global staff base provide us with expertise across climate change, nature and biodiversity, social issues, and company stewardship and systemic stewardship.



3.3 Industry commitments and reporting

Chelverton Asset Management is a signatory to both the UK Stewardship Code and the United Nations-supported Principles for Responsible Investment (PRI). We are committed to upholding the principles of both frameworks and regularly report on our responsible investing practices in accordance with their requirements.

Our latest UK Stewardship Code report is available [here](#).

Our latest PRI Assessment Report is available [here](#).

4 ESG integration and ongoing monitoring process

Our ESG integration process is embedded throughout the investment lifecycle, from initial analysis to ongoing monitoring and engagement. This approach ensures that material ESG factors are consistently considered in our investment decisions and stewardship activities.

4.1 Investment selection

Financial criteria are our primary consideration, in line with each fund's mandate.

We evaluate qualitative factors alongside financial criteria, including ESG considerations, to build a comprehensive view of a company's business and management quality.

For companies entering the conviction-building stage, we undertake more detailed ESG analysis, supported by data from Integrum ESG and company level analysis from Canbury Insights.

Some of our investment teams have developed proprietary E, S, and G pillar scores to assess a company's management of ESG risks and opportunities.

These scores can influence the valuation process by adjusting the discount rate applied to projected cash flows.

4.2 ESG data and analysis

We use Integrum ESG data and other selective data sources to enhance our analysis.



This data helps provide a comprehensive picture of a company's ESG performance, but we do not rely solely on third-party ESG ratings or other third party ESG data and carry out our own research on holdings.

Our investment teams conduct their own ESG assessments, considering the specific context of each company, particularly for small and mid-cap firms where third-party data may be limited.

Towards the end of 2024, we transitioned from an in-house ESG team to a partnership with sustainability and stewardship specialists, Canbury Insights. This has enabled us to undertake bespoke company assessments on ESG issues relevant to the company's business model and our investment belief.

4.3 Ongoing monitoring

Once an investment is made, we continuously review companies to monitor a range of ESG risks, management practices, and performance.

We monitor ESG risk exposures at the portfolio level on a quarterly basis using Integrum ESG data, focusing on carbon intensity, exposure to reputational risks, and governance issues.

We undertake regular company meetings to monitor all aspects of the investment thesis, and use this to assess aspects such as:

- Quality of material risk identification
- Relevance and integration of sustainability strategy
- Priorities and direction of travel in achieving ESG objectives
- Development of ESG management and reporting capabilities

5 Engagement and stewardship

Engagement lies at the heart of our investment approach. We believe regular, constructive dialogue with companies is essential to:

- Build our understanding of businesses and management quality
- Monitor risks and opportunities
- Influence positive change where appropriate
- Fulfil our stewardship responsibilities



Our engagement approach is characterised by:

- High frequency of regular company interactions
- A flexible approach tailored to each company's circumstances, size and maturity
- Focus on strong governance as the foundation for long-term success
- Integration of material environmental and social factors

Our engagement approach is tailored to the unique characteristics of the companies we invest in, particularly smaller firms that often benefit from constructive shareholder engagement.

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

6 Voting Approach

Our voting approach varies by the fund structure. For funds where CAM holds voting rights, we aim to vote on 100% of resolutions for companies we hold, viewing voting as a key tool for expressing our views and influencing company behaviour, where appropriate. The Global Tech fund is exempt from this policy due to the small size of our holdings relative to the large cap nature of its investments.

Chelverton has limited rights to make voting decisions on shares when appointed as the Investment Manager on segregated mandates. The Authorised Fund Manager retains voting rights, except when the vote is a de-facto investment management decision, such as corporate actions.

Our voting principles include:

- Supporting management proposals as a standard practice, with the caveat that we expect discussion on any contentious issues and may abstain or vote against if our concerns are not adequately addressed
- Voting against excessive remuneration or share issuances, where appropriate
- Promoting board independence and diversity
- Supporting shareholder resolutions that promote good ESG practices



6 Risk Management Framework

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:

- Identify – The 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

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. Risks are reported by Compliance in the quarterly Board meetings.

7 Systemic Risk

Managers follow a bottom-up approach to investment selection. As such our strategies are macro aware but not led. We aim to select well led companies with a robust financial profile, capable of maintaining competitive advantage in a variety of market conditions.

Macro ESG perspectives are discussed in regular ESG meetings 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

8 Quarterly ESG meetings

Our quarterly ESG meeting provide an independent review of fund level ESG risk.

Overall ESG risk is reviewed quarterly using Integrum ESG data, with reports and insights flowing to Board level. The forum is also an opportunity to discuss the following:

- Horizon scanning of ESG risks and opportunities
- ESG themes and news for investment context and to inform company engagement
- Company governance issues, agreeing the engagement approach
- Progress against CAM annual engagement plan objectives

Inputs from ESG meetings provide a backdrop for regular UK, EU, and equity meetings, which focus on macro context, the positioning of funds, and relevant investment activity. Any company level risks from these meetings requiring escalation also flow to the Board, for example any unexplained rise in fund carbon exposure might be added to the risk and harm register under ESG risk and discussed at Board level.

9 Collaboration between teams

All investment decisions, company engagements, and voting decisions are undertaken by the investment team with support from our Corporate Governance Manager and outsourced ESG partners.



This integrated approach ensures that ESG considerations are thoroughly embedded in our investment process, from initial selection through ongoing monitoring and active stewardship, aligning with our commitment to responsible investment and long-term value creation for our clients.

10 Review and Continuous Improvement

This policy is reviewed annually to ensure it remains appropriate and effective.

11 Governance and Oversight

Our ESG integration activities are overseen by:

- The Board of Directors, which reviews our overall approach and significant activities
- The Corporate Governance Manager and external ESG partners, who support CAM's ESG integration activities
- The Investment Team, responsible for day-to-day implementation of this policy

