Stewardship and Engagement Policy

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Introduction

Chawton Global Investors LLP (CGI) considers that companies selected for investment for our clients should generate sustainable, high returns on capital over the long term to deliver compounding returns for our investors and for companies we invest in to adhere to sustainable investment principles to have a positive impact on other stakeholders, the wider community and the environment. We therefore engage with company management both before investment as part of the due diligence process and regularly after investment to ensure this is the case. This, we believe, represents sound stewardship.

The provisions contained in this Stewardship and Engagement Policy have been developed in accordance with the UK Stewardship Code 2020 and the Shareholder Rights Directive II. Regulatory Background UK Stewardship Code. The UK Stewardship Code initially published by the UK Financial Reporting Council ("FRC") in 2010 and revised in 2012 and 2019, is a voluntary code which sets out a number of principles relating to engagement by investors with UK equity issuers. The Code aims to enhance engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Code sets out good practice on engagement with UK investee companies to which the Financial Reporting Council believes institutional investors should aspire.

The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy. We set out below the principles that apply to us along with commentary on how CGI adheres to them.

The principles of the Code, which is applied on a "comply or explain" basis, require signatories to:

1. Disclose how their purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the environment, economy and society.

2. Have governance, resources and incentives that support stewardship.

3. Manage conflicts of interest to put the best interest of clients and beneficiaries first.

4. Monitor and respond to market-wide and systemic risks to promote a well-functioning financial system.

5. Review their policies, assure their processes and assess the effectiveness of their activities.

6. Take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

7. Systemically integrate stewardship and investment, including material environmental, social and governance issues, and climate change to fulfil their responsibilities.

8. Monitor and hold to account managers and/or service provides.

9. Engage with issuers to maintain or enhance the value of assets.

10. Participate in collaborative engagement to influence issuers.

11. Escalate stewardship activities to influence issuers.

12. Actively exercise their rights and responsibilities.

Policy

Principle 1: Signatories should disclose how their purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the environment, economy and society.

Our mission statement is that CGI exists to make investment decisions that make a real difference to the lives of all its investors and all those effected by its investments. To do this, we ensure capital that we allocate on behalf of our investors is allocated to companies and management teams that can utilise it most productively and sustainably. Our investment process therefore involves extensive research to ensure that companies are selected that:

1. *Invest in **Quality** companies that achieve **high and sustainable returns** on current capital invested*
2. *Invest where there is an **alignment of interest**: act as an owner*
3. *Invest where there is **potential to invest new capital** and a strong probability of achieving high returns on this capital*
4. *Ensure businesses are **sustainable over the long term** through low leverage, high cultural integrity and due consideration of the transition to a sustainable environment*
5. *Invest when there is a **material margin of safety** to reduce risk of capital loss*

We believe engagement with management and other stakeholders on matters contributing to these principles is essential to good corporate stewardship and likewise actively participating in voting on behalf of our investors.

Principle 2: Signatories governance, resources and incentives should support stewardship.

Stewardship embodies the responsible planning and management of all our resources from the decisions made by our partners to how we invest on behalf of clients. We believe that if the business in its entirety has adopted a stewardship "mindset" this then filters down and effects every level of the organisation. We believe it will ultimately have a positive impact on how we deliver outperformance for our clients. Our Chief Investment Officer (CIO) sets our investment strategy and approves investments, with individual portfolio managers making decisions to buy or sell securities that have been so approved. The CIO also oversees our overall ESG integration efforts. Partners and team members that are involved in stewardship activities, including investment analysts and portfolio managers, receive training on stewardship. Where appropriate, staff receive external training and certifications. We also support external training sessions on topics relevant to stewardship and ESG which we make available on a firm-wide basis reflecting the importance of these issues to our firm's philosophy and values. Our remuneration policy is aligned with our investment strategy, risk appetite and values. It is consistent with a sound and prudent risk management and does not encourage excessive risk taking related to sustainable, social or environmental events. Our remuneration policy will promote remuneration which is in line with the market rate for equivalent roles; prevent conflicts of interest; take into consideration financial and non-financial metrics to assess the performance of employees; and procure that it does not incentivise excessive risk-taking, including sustainability risks.

Principle 3: Signatories should manage conflicts of interest to put the best interest of clients and beneficiaries first.

CGI is an independent company only focused on the provision of fund management services. Most of our partners' wealth is invested in our product therefore aligning interests with our investors. That said, we recognise there are areas where there is a risk conflicts of interests. These include the following:

1. Fund management fees set too high.
2. Gifts or inducements being accepted that may influence behaviour.
3. Commercial activities outside the partnership that may interfere or compete.
4. Personal trading and insider trading.

We have set up appropriate procedures and controls to prevent conflicts in these and other potential risk areas. There are summarised in our Conflicts of Interest Policy which is detailed on our website here.

Principle 4: Signatories should monitor and respond to market-wide and systemic risks to promote a well-functioning financial system.

Monitoring of the companies following investment is an integral part of our investment process. Our framework for carrying out this is to act as owners of the business and consider ourselves as akin to managers of a very de-centralised holding company. We regard interim and annual reports along with sustainability reports as analogous to management accounts and use these to frame the agenda for our meetings with management. The degree of adverse developments dictates the frequency of engagement.

We therefore believe that market and systemic risks such as short-term geopolitical tensions or macroeconomic factors, including moves in currencies or interest rates, are unlikely to affect the value of our investments over the longer term. Where we do hold short duration assets, usually bonds, such risks, including sovereign risk, are fully incorporated in our investment analysis and credit assessment.

We also recognise that some systemic risks are likely to have a lasting long-term impact across industries and economies. Most notable among these are climate change, and other environmental risks. These are fully incorporated in our investment analysis as part of our integration of ESG factors in our assessment of current and potential investments

The strategy statement of each company is reviewed and compared with our own strategic analysis of the company and its industry on a regular basis. The remuneration policy and incentivisation package is regarded as a key determinant of management behaviour and performance. This is reviewed and discussed with management and if necessary, the Chairman of the Board.

Although we invest globally, we regard the UK Corporate Governance Code as a template for good Governance and therefore compare all investee companies against this. Where we consider the company falls short of the desired standard this will both feed into the initial investment decision and if investment then takes place, will be the subject of discussion at monitoring engagements.

We regard the ability of equity holders, as owners, to vote on key matters as integral to our role. We believe that engagement and debate is the preferred method of reaching agreement; however, if this does not satisfy our requirements on material issues, we would consider abstaining or voting against the board.

These matters are all fully documented in an summary review document updated after the publication of each company's annual report.

Principle 5: Signatories should review their policies, assure their processes and assess the effectiveness of their activities.

Our CIO conducts regular assessment of our stewardship and engagement activity, monitoring the effectiveness of our interactions with our investee companies, whether outcomes matched our objectives, and required further action.

We also review our reporting to ensure it is fair, balanced and understandable, taking into account any comments we receive from clients, our staff or third parties, and make adjustments as required. All of our policies are reviewed annually as part of our internal controls.

Principle 6: Institutional investors should take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Through our fund, we manage the assets of institutions, families, trusts, charities, high net worth individuals and other investors. The fund invests in public equities. Information regarding our fund and our strategy is available on our website, subject to regulatory restrictions. Our investment horizon is long term, being at least 5 years.

Our stewardship activities are an integral part of how we manage investments for our clients. We believe there must be an appropriate level of transparency designed to promote effective stewardship and assist the analysis and evaluation by asset owners. For all investors, we provide disclosures regarding stewardship activities and outcomes, through our materials on our website at www.chawtoninvestors.co.uk . Full information is provided directly should such clients wish.

Principle 7: Institutional investors should systemically integrate stewardship and investment, including material environmental, social and governance issues, and climate change to fulfil their responsibilities.

Central to our core principle of basing our investment decisions on our own research is a rigorous process of fundamental proprietary research based on independent, in-house analysis complemented with active engagement. Our research fully integrates sustainability as a core component which covers environmental, social and governance issues. The goal of our research process is to reinforce our conviction in the companies we invest in and identify issues in a timely manner. Key is to ensure that companies meet our quality definition. We define as quality companies that have strong and sustainable competitive positions in good and growing industries, that have managements with strong track records of value creation and a balance sheet that enable them to weather any adversity. We focus on underlying fundamentals, strategy, financial performance, sustainability of competitive advantage, capital structure, capital allocation track record and other risks. Our sustainability work is part of our security selection process that looks at a sustainability as a key strategic factor. The fourth of our five pillars that underpin our investment philosophy and process is: Ensure businesses are **sustainable over the long term** through low leverage, high cultural integrity and due consideration of the transition to a sustainable environment. We therefore seek to ensure Management includes sustainability as a key strategic consideration and that Management consider, set targets and report on ESG objectives.

Principle 8: Signatories should monitor and hold to account managers and/or service providers.

We regularly review all service providers. Where we invest in listed securities, we supplement our own proprietary research with analysis from selected external research providers and maintain access to a number of relevant data providers. We conduct continuous reviews of our research providers, evaluating the quality of research provided and access levels to relevant resources, including conferences, corporate and expert events and data sources.

Principle 9: Signatories should engage with issuers to maintain or enhance the value of assets.

Through our robust investment philosophy and process, we have derived very clear principles we look to be applied at the companies we invest in. We look to management, as stewards of the company during their tenure to act in accordance with these principles in order to deliver long term benefit to all stakeholders. These principles relate to company culture, strategy, financial matters, capital allocation and sustainability. Whilst we look to collaborate with management most of the time, if actions are taken of sufficient materiality that would act to compromise our principles we would look to escalate the matter.

Specifically acts that would result in escalation include:

- Poor capital allocation of a material nature which may relate to one large transaction or a pattern of smaller moves.
- Actions that go against sustainability principles in a significant manner or there is a failure to take action with a similar result.
- In particular, actions or not taking actions that have a significant adverse effect on the environment.
- Management start to compromise the company culture for short term gain.

The actions we would take would commence with repeated engagement and debate firstly with the executive management team and then if that failed with the Chairman of the Board and/or other senior non-executives. Further escalation would involve abstaining or voting against board resolutions. The latter could also involve collaboration with other fund managers and the making our concerns public. These would ultimately be aimed at removing and replacing members of the executive management team and/or board.

Principle 10: Signatories where necessary should participate in collective engagement to influence others.

CGI is willing and able to work with other investors where it is considered in the best interests of investors to do so. This would be in situations where there are clear and material issues that are of concern, it has not been possible to resolve these through engagement with management and the board and other investors are in agreement with the stance.

In such circumstance, the portfolio manager will seek to engage with other investors in the investee company to seek collaboration and agreement on appropriate action. In a similar manner, the firm will be receptive to engagement from other investors seeking to establish collaborative action.

Our focus on a limited number of securities may help us achieve change in a way that larger institutions, with potentially more conflicts and substantially larger teams may find challenging. But in participating in collaborative initiatives, we remain alert to potential conflicts, issues of insider information and concert party rules. Where we believe there are any potential risks involving these rules, we ensure close involvement of our internal legal and compliance team.

Principle 11: Signatories, where necessary, should escalate stewardship activities to influence others.

Where concerns emerge regarding the management's ability to uphold shareholder value or manage environmental or social issues effectively, we will seek to engage with the company and monitor developments to assess changes in the company's approach. Should concerns persist, we may seek to intervene formally through written letters addressed to the appropriate company board or committee members. In addition, we will consider whether it would be more effective to intervene jointly with other institutions but will only do so where this is considered appropriate and in the best interest of our clients. We will also where appropriate make public statements to raise awareness on particular issues or submit resolutions and speak at general meetings. Finally, in seeking to act in the best interests of our clients, we may also consider it better to reduce or sell the shares of an investee company investment if previous efforts at engagement have been unsuccessful. Our experience is that each investment we make involves a variety of factors which makes every situation unique. Therefore, the approach we take to escalation of concerns will vary on a case-by-case basis.

Principle 12: Signatories should actively exercise their rights and responsibilities.

The principle governing our approach to voting is to act in what we consider to be our clients' interests. We are willing to take a stand and to use our vote wisely. Therefore, we seek to vote on all issues raised.

The majority of resolutions target specific corporate governance issues which are required under local stock exchange listing requirements, including but not limited to: approval of directors, approval of annual reports and accounts, approval of incentive plans, capital increases, reorganisations, mergers and acquisitions. We vote on both shareholder and management resolutions.

The investment approach deployed by CGI involves extensive due diligence aimed at ensuring the companies invested in are being managed according to principles and strategy consistent with our investment philosophy. It is therefore likely to be normally the case that we would vote with management on resolutions put forward. In the rare situations where we disagree with management, there would be extensive engagement on the matter. However, if this fails to resolve the matter to our satisfaction and it is material to our investment case, CGI would consider exercising our investors' rights as shareholders to abstain or vote against management.

The firm does not engage in stock lending and vote all our shares using the proxy voting service provider; Proxyedge. We will highlight in the Regulatory section of our website instances where we have voted against management and the reason for this.

CGI aims to regularly communicate with its investors through its website, factsheets and periodic newsletters. Through these mediums we will relate in depth our activities relating to company selection and company monitoring covering the principles that we regard as important to corporate stewardship. As indicated above, we anticipate mostly engaging with management in a collaborative manner; however, in the rare instances where we have to resort to voting against management on resolutions, we will fully disclose this through these channels.

Disclaimer: CGI is not currently a signatory to the FRC Stewardship Code. The firm expects to submit its application to become a signatory on 31 March 2023.