RESPONSIBLE INVESTING

POLICY PACK

2022

Responsible Investing at Chelverton Asset Management

Background

Established in 1998, Chelverton Asset Management Limited ("CAM") is a boutique asset manager dedicated to investing in quoted and AIM listed small and medium sized companies, predominantly in the UK but also in Europe (ex UK)[1].

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

Our purpose is to ensure the delivery of our client's investment objectives over the long-term. This consistent, long-term lens necessitates consideration of relevant change trajectories that can present both investing opportunities and challenges for investors, such as those relating to climate change and more sustainable business practice.

Responsible investing and active stewardship lie at the heart of our 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. We believe our approach to capital allocation within our investing universe, when combined with engaging with investee companies to improve the management and reporting of environmental, social and governance related (ESG) risks, can capture the superior investment returns that are available within our under-researched investing niche.

Within our investment processes financial criteria come first and no company can be 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 strong governance, business resilience, and agility. As investors, we look for opportunities to enhance value through our active stewardship as part of the investment thesis.

As a majority employee-owned business with a flat management structure and small team approach, our culture ensures we have the investment structures, such as meetings and oversight, and process steps, such as reference to material ESG risk maps and risk control parameters, that support our approach. We do not outsource any aspects of investment decision-making or stewardship and do not rely on third party ESG services other than for contextual or indicative purposes.

The structures and processes that support our approach, including the principles and policies that guide our investing activities, are discussed and agreed as a whole team, working together. This is an iterative process of constant improvement, 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 responsible investing and stewardship approach, in recognition that the diversity of approaches was creating confusion, especially in combination with different regulatory, labelling and disclosure regimes for responsible investors.

This prompted CAM to take steps to improve transparency for our clients by becoming signatory to two reporting frameworks requiring commitments to best-practice stewardship and responsible investing principles:

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[1] Whilst our European Strategy is permitted to invest across the size spectrum, the managers share the investing belief that superior returns can be delivered over the long-term by investing in small and mid-sized companies, following the disposition to invest within the niche.

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

We were pleased to have been accepted by the Financial Reporting Council (FRC) as one of 43 new signatories to the UK Stewardship Code 2020 following submission of our first report (2021), which was assessed as having met the standards expected of signatories in relation to the Code's 12 stewardship principles.

Continuing acceptance as signatories to the new UK Stewardship Code 2020 requires an annual submission of a UK Stewardship Code Report to the FRC and we are committed to providing this and to reviewing the feedback provided by the FRC regarding to how to improve our stewardship and reporting.

We have yet to report to the UN PRI following revisions to their reporting timetable, but we will do so at the earliest opportunity.

The UN PRI define responsible investing as the incorporation of ESG issues into investment decision making processes with the aim of improving risk management and returns.

The UN PRI, and other bodies such as the Investment Association[2], have attempted to provide greater clarity regarding the different approaches to responsible investing.

The following chart summarises the range of different responsible investing styles that have been identified and highlights the positioning of Chelverton's approach within the range:

Style	Traditional Investment	Responsible Investment ESG Integration and Stewardship		Sustainability Characteristics	Sustainable Thematic	Impact
Definition	Limited or no consideration of ESG issues	ESG issues considered within analysis and decision making to protect and enhance investment returns	Active ownership of investments, including voting and engagement, to protect and enhance investment returns	Investments selected on defined sustainability criteria	Investments selected on defined sustainability themes	Investments targeting defined environmental or social returns
Examples	No systematic inclusion of ESG issues within investment processes	Systematic inclusion of material ESG risks and opportunities within investment processes	Responsible allocation, management, and oversight of investments	Best in class selection criteria Positive tilt selection criteria Exclusion criteria	Thematic inclusion criteria such as those relating to climate, water, biodiversity, or social themes	Impact measured against one or more of the UN Sustainable Development Goals
Approach	✗	✓	✓	✗	✗	✗

As shown, CAM does not manage any specialist or labelled sustainability-focussed or impact strategies that apply selection criteria limiting, excluding or selecting investments on the basis of sustainability criteria alone. However, we follow processes that ensure ESG risks and opportunities are systematically identified, and exposures monitored, and a stewardship approach that is designed to protect and enhance value for our clients and, in so doing, can provide benefits for wider stakeholders.

For clarity, with regard to regional disclosure regimes such as the EU Sustainable Finance Disclosure Regulation (SFDR), the investments in Chelverton managed funds do not consider the

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

EU criteria for environmentally sustainable economic activities as the funds are not actively marketed in Europe and thus are not subject to this regime.

However, we remain alert to the upcoming sustainable fund labelling proposals outlined by our regulator, The Financial Conduct Authority (FCA), under the Sustainable Disclosure Regime (SDR) and we will review and amend our policies and investor communications to fairly and accurately reflect our approach within the context of any new UK fund labelling regime.

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

The document outlines our ESG Policy and collates other responsible investing policies and reports into a Responsible Investing Pack, to consolidate the relevant materials that guide our responsible investing activities, namely:

- ESG Policy
- Shareholder Engagement and Voting Policy
- Annual Engagement plan(s) 2021, 2022
- UK Stewardship Code Report 2021
- 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.

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1. ESG POLICY

1.1. Overview

CAM do not manage any specialist sustainability-focussed or impact strategies that apply selection criteria that limit, exclude, or include investments on the basis of sustainability criteria alone. However, our investment focus on the quality characteristics that can deliver sustainable cash flow will tend to exclude companies assessed as managing ESG risks badly and/or without a credible strategy. For example, a company operating in a high ESG risk sector but identified as managing ESG risk poorly, will tend to be excluded from consideration by our selection criteria.

Stewardship lies at the heart of our investment approach. We consider our skill when engaging with investee companies to be a core business 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 both value protecting and enhancing for our clients.

We have a company policy that guides our engagement and voting activity which forms part of this policy pack.

Regarding ESG engagement, in 2021 we published an inaugural Engagement Plan setting out our ESG engagement objectives. In 2022 we progressed this plan, increasing our focus on defined systemic issues that we consider are relevant for all companies to address.

The Engagement Plan(s) 2021 and 2022 form part of this policy pack.

We engage with every company in the area of ESG management, via letter and ESG questionnaire, to ensure we have the information that we require for investment decision-making.

Our Engagement Plans outline how the information that we gather via ESG questionnaires informs subsequent engagements on relevant ESG issues, as appropriate.

We set out the importance we attach to the fast-evolving area of ESG management and our reporting expectations. Importantly we offer support to our smaller companies regarding their development of appropriate ESG management and reporting capabilities.

To date, CAM has not set targets in relation to our ESG engagement. However, as our ESG engagement has matured over the last two years we recognise we may now be in a position to do so using the ESG data we have gathered. This will be discussed at our next culture meeting, ahead of finalising the progression of our ESG Engagement Plan in 2023.

Cheverton’s general approach to engagement and voting deters us from collaborating with other shareholders when addressing issues with individual companies. However, we are committed to collaborative engagement in other ways. We pro-actively seek out collaborative engagements that serve the needs of our investment universe as small and medium-sized companies work to improve their ESG management and deliver required change. For example, in 2021, as investor signatories to the Carbon Disclosure Project (CDP) we participated in a project to develop a streamlined environmental reporting framework targeting small and medium sized companies, facilitating their participation in the race to Net Zero, and we have continued working with the CDP on this and other relevant projects in 2022.

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

The Board review all pertinent risks on a quarterly basis, including any material ESG risks highlighted during monthly ESG meetings. The Board are ultimately responsible for all risk 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 through leveraging our niche investing strengths. This purpose has driven progressive investment in ESG resources by the business since 2018, to support the work of our Investment Teams.

The business has built an ESG Team, led by the Head of Responsible Investing and including a dedicated Corporate Governance Manager, who work alongside the respective Investment Teams providing analysis and support across the 3 pillars of E, S and G, with a particular focus on the G pillar as a key indicator of management quality.

The ESG Team have built a shared company engagement tracker that brings together qualitative data and voting records to inform engagement activities.

The business has invested in ESG subscription services enabling ESG risk reporting and the monitoring of portfolio level trend data, such as carbon intensity, exposure to controversial business activities, and involvement in ESG controversies. This information feeds into dedicated ESG meetings, as well as interim discussions regarding ESG issues and company engagement.

Those responsible for Responsible Investment and Compliance review fund ESG data on a quarterly basis, with reference to ESG trends in respect of the portfolios.

The business has also invested in ESG training, with all investment team members up to Fund Manager level receiving relevant ESG integration and stewardship training during 2022.

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

Company culture meetings were introduced in 2021 and are sponsored by our directors. They are designed to reinforce shared objectives and company values. Our inaugural culture meeting included a guest presentation by the Carbon Disclosure Project (CDP), to whom we are investor signatories, on the topic of environmental management and reporting. Our most recent culture meeting, in 2022, focussed on the importance of Diversity, Equity and Inclusion at both the company and investment level and included a presentation by the female founder and CEO of Finncap, the largest corporate advisor and brokerage firm for UK listed small and mid-cap companies. Our next culture meeting is planned to discuss the evolution of our annual Engagement Plan, using the proprietary data we have now collected, to set hard targets relating to systemic risk control, most notably in relation to climate change but also in relation to other risks.

Finally, as a business the Board have established an ESG working group with the aim of broadening our ESG management focus at a business level and ensuring all operational decisions include ESG criteria. In 2021 we began work with Carbon Analytics, who are experts in carbon foot-printing and reporting using financial transactions. Our aim has been to develop an emissions reduction strategy and ESG Policy for the business. This includes exploring offsetting those emissions we cannot abate using a quality, UK based, Carbon offset scheme which also prioritises nature restoration and biodiversity management. The ESG Policy for the business is planned to enable the management of ESG targets and offer greater transparency regarding CAM's charitable activities and support of employees' charitable aspirations.

Over the last 12 months Chelverton have been adopting an increasingly structured approach to investor stewardship and ESG integration, increasing the ESG integration touch points within each of our investment processes. We plan to narrow our focus on some engagement topics to target the management focus and commitments of specific companies and building our oversight and reporting processes.

2. ESG INTEGRATION STEPS

All Chelverton strategies follow agreed ESG integration steps. However, there are nuanced differences between the UK and EU approach, which will be described. These differences relate to the use of proprietary ESG scores within respective processes.

No investment teams rely on ESG pillar scores from third-party ESG service providers, except for context. The reasoning relates to a number of different factors, most notably:

- Scoring inconsistencies between third party ESG data providers
- Lack of coverage and/or poor-quality research of small and medium-sized companies by third party ESG data providers
- The backward lens of third party ESG data providers which is considered problematic for agile small and medium-sized stocks
- The scoring methodologies adopted by third party ESG data providers that favours large stock over small and medium-sized stocks

2.1. Macro ESG Inputs

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

The investment structure that supports macro ESG perspectives within the investment teams is the monthly ESG meeting, supplemented by informal interactions between ESG and investment team members on an ad-hoc basis.

Monthly ESG meetings focus on ESG macro perspectives as follows:

- ESG horizon scanning and progress reports regarding global commitments and regulatory change relating to systemic risk such as climate, deforestation, resource depletion, biodiversity loss, and pollution controls
- Opportunity scanning relating to systemic problem solving, such as resource availability for transition technologies, digitisation as an efficiency enabler, and circular business principles

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

2.2. ESG Integration Steps: UK Strategies

UK strategies adopt pre-investment ESG sense checks when considering potential investment opportunities. These include reference to a sector/industry level material ESG risk heat map when required, as well as other indicative ESG research inputs such as MSCI company ESG risk reports and summary ESG risk reports from other service providers, such as Sustainalytics, ISS, RobecoSAM and Bloomberg.

Investment managers appreciate that sector /industry level material ESG risk maps are only a guide to company level ESG risk exposure, given this is always company specific. However, the rationale for reference to an industry/sector level material risk map is to allow team members to consider company risk within a sector / industry context, to help evaluate the expected level of company management focus.

Two investment risk control steps follow if the overall sector level risk for the company is 7 or above:

* If appropriate 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 is referred to the Responsible Investment Manager and/or Corporate Governance Manager for further due diligence

In either case, the rationale for investing in high risk ESG companies is recorded via the internal Investment Decision Log, which is filled in for all new investments.

Investment Managers refer to the MSCI ESG Material Risk Heat Map for guidance. This map offers ESG intensity scores assessed at the GICS sub-industry level recording the level of impact (high, medium, low), as a guide. An exert is offered below and the heat map is available on request.

Risk scores are reviewed internally to reflect changes in perceived sector risk profiles, as necessary.

Description	Climate Change	Natural Capital	Pollution & Waste	Human Capital	Product Liability	Stakeholder Opposition	Corporate Governance	Corporate Behavior	ENV (0-1)	SOC (0-1)	GOV (0-1)	ESG Risk Intensity Score
Energy	High	High	Med	High	Low	Indirect	High	High	0.73	0.60	1.00	10
Materials	Med	High	High	Med	Low	Indirect	High	Med	0.87	0.40	0.80	9
Industrials	Low	Low	Med	Med	Low	Low	High	High	0.33	0.40	1.00	5
Consumer Discretionary	Low	Med	Med	Med	Low	Low	High	Med	0.47	0.40	0.80	4
Consumer Staples	Indirect	High	Indirect	Med	Indirect	Indirect	High	Med	0.73	0.60	0.80	8
Health Care	Low	Med	Med	High	Indirect	Low	High	High	0.47	0.80	1.00	7
Financials	Low	Low	Low	High	Indirect	Low	High	Med	0.20	0.80	0.80	3
Information Technology	Low	Low	Low	High	Low	Low	High	Med	0.20	0.60	0.80	4
Telecom Services	Low	Low	Low	High	Low	Low	High	High	0.20	0.60	1.00	3
Utilities	Med	High	Med	Med	Low	Indirect	High	Med	0.73	0.40	0.80	7
Real Estate	Med	Low	Low	High	Low	Low	High	Med	0.33	0.60	0.80	3

Source: MSCI Material Risks Heat Map Industry and Sector Level, MSCI ESG Manager Data Service 2022

During conviction building investment teams have access to the support of the ESG Team as they undertake further due diligence prior to a stock becoming a committed portfolio holding.

The ESG team can perform ESG deep-dives across each of the 3 pillars where this is considered prudent due to overall risk levels.

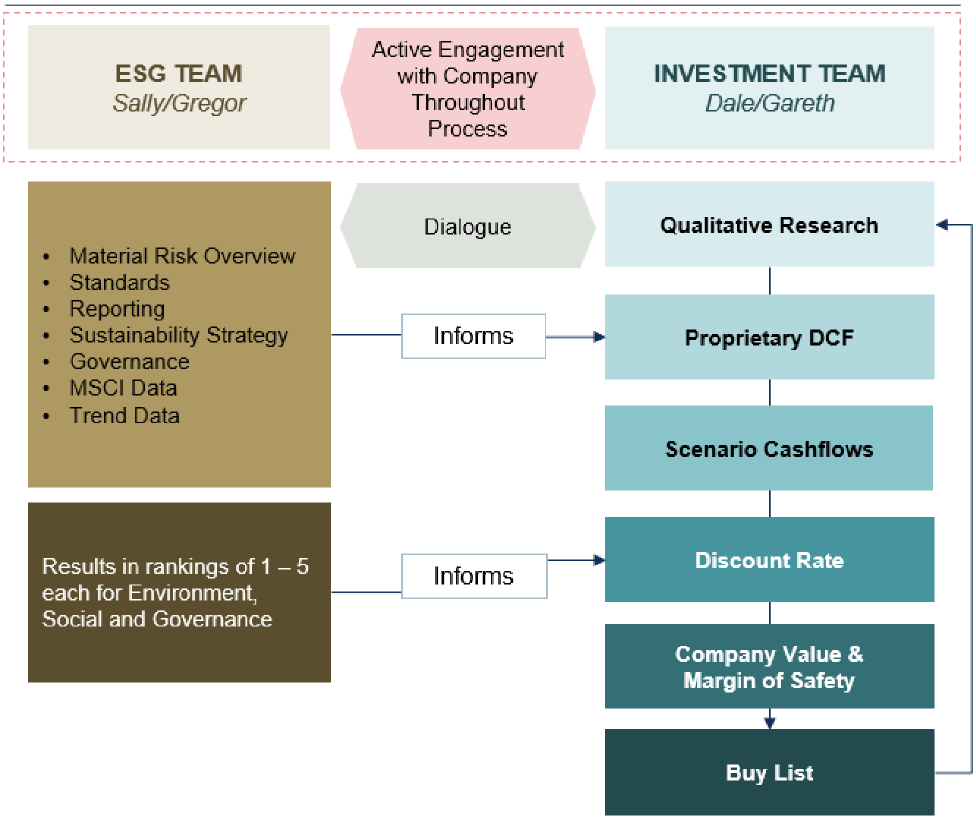
The UK Team do not favour reliance on in-house ESG pillar scores for committed holdings, placing greater weight on more dynamic, forward-looking metrics like ESG focus, future plans, and direction of travel, which are summarised in a dynamic assessment diagram with 8 fields:

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

- ## ESG Intergation Steps: European Strategy

The EU Investment Managers follow a slightly different process for ESG risk management, which relies on in-house ESG pillar scores to inform adjustments to the discount rate applied to future cashflows, to reflect ESG risk.

ESG considerations are integrated into the EU investment process as this diagram illustrates:



New ideas are shared between the ESG team and portfolio managers and both teams undertake qualitative research.

The ESG Team will cover, amongst other things:

- Material Risk Overview, involving an assessment of how well relevant ESG risks have been identified by the company
- Standards, involving an assessment of chosen standards and assessment frameworks adopted by the company
- Reporting, involving a review of the level and sophistication of ESG reporting
- Sustainability Strategy, including a review of the level of integration of this strategy within the overall business strategy
- Governance, focussing on board independence, committee structures, shareholder rights and remuneration
- MSCI Data, used as an issue indicator and to summarise risk data such as carbon intensity, to cross reference with internal analysis
- Trend Data, used to identify future potential and developing opportunity

- Key points are documented and shared with the Investment Team and feed into their own in-depth fundamental research.

Companies in the investable universe are scored after discussion between the ESG and the Investment Team, on a scale of 1-5, with 1 being ‘best’ and 5 ‘un-investible’. By way of example as to how EU team scoring is applied, an industry may rank 4 (poor) due to negative environmental impacts. If a company is assessed by the team as better than average for the industry, it will still rank 4.

The team will not invest in a below average company in a below average industry. Furthermore, the team need to see signs that a company is both disclosing and improving information regarding their management of ESG risk if the company is in a below average category.

3. STEWARDSHIP AND ESG ENGAGEMENT

Stewardship lies at the heart of every Chelverton investment strategy. The Chelverton Shareholder Engagement and Voting Policy sets out the principles that guide our approach to stewardship, and this policy forms part of this Responsible Investing Pack.

Chelverton have been accepted by the FRC as signatories to the new UK Stewardship Code 2020, having reached to standard expected by the FRC. Our UK Stewardship Code Report 2021 forms a part of this Responsible Investing Pack and outlines in detail how our stewardship activities are aligned with the 12 Principles set out in the Code.

Once a stock enters a Chelverton portfolio as a committed holding having satisfied the financial and quality criteria set, the stock is engaged specifically regarding the management and reporting of ESG issues as an essential element of our stewardship activity.

How we engage on these issues (by letter, questionnaire, and follow-up meetings as appropriate) is laid out in our annual Engagement Plan(s). The Plans detail the purpose and context of our ESG engagement and the support we offer investee companies to improve their ESG management and reporting as a value creation exercise.

Chelverton's Engagement Plan(s) forms a part of this Responsible Investing Pack and is shown below.

As discussed earlier, our culture supports our responsible investing and stewardship activities, and we will discuss our Engagement Plan at our next culture meeting to agree progression steps in 2023. To date, CAM has not set targets in relation to our ESG engagement. However, as our ESG engagement has matured over the last two years we recognise we may now be in a position to do so using the ESG data we have gathered.

4. ESG ENGAGEMENT PLAN

4.1. Purpose

The purpose of this Engagement Plan 2022 is to continue and progress the ESG engagement work we began in 2021, alongside our other company engagement activities.

The broad purpose of work in 2021 was:

- to support our activities as signatory to the United Nations-supported Principles of Responsible Investing (UN PRI)
- to align with the best stewardship practice set out in the new UK Stewardship Code
- to encourage and enable improved ESG disclosures from our investee companies and those within our investment universe
- to leverage improved ESG disclosures to support and encourage more sustainable business practice in line with evolving risks and opportunities

4.2. ESG Engagement Plan - Context

Established in 1998 CAM is a boutique equity investor specialising in small and medium-sized companies, primarily in the UK but also in Continental Europe. Our Continental Europe strategy may invest in larger companies as opportunities arise, however the managers share the CAM belief that unrecognised value is more often found amongst small and medium-sized companies.

Investment teams take a bottom-up approach to company selection, building conviction over time and investing in line with client mandates, with the support of a dedicated ESG team.

Active stewardship sits at the heart of each investment strategy and CAM leverage specialist knowledge and expertise when investing in small and medium-sized companies. We aim to build constructive relationships with executive and non-executive management teams with the aim of creating value for our clients over the investment cycle.

CAM do not manage specialist ESG mandates that restrict or exclude certain types of investments, but as equity investors following a bottom-up approach to investment we recognise the value of integrating material ESG issues within our analyses and investment decision-making.

The CAM investment universe is typically under-researched, particularly by ESG ratings agencies.

CAM do not rely on ESG ratings from agencies but recognise that absent, anomalous, or contradictory ESG assessments, fuelled by inadequate company disclosures, can negatively impact investor sentiment, and misrepresent management capabilities, inhibiting progress towards more sustainable business practice through capital misallocation or increased cost of capital.

Consequently, CAM remain committed to the ESG Engagement Plan started in 2021, which we will progress in 2022, encouraging investee companies to disclose their management of ESG risks and opportunities in a structured way, adopting recognised reporting frameworks that can enable fair market assessments.

4.3. Supporting our Responsible Investing Activities:

Since establishment in 1998 CAM has always acted as a responsible investor. However, at the start of 2021 we became signatory to the UN PRI with the aim of providing our clients with greater transparency regarding our approach to responsible investing and activities.

Responsible Investing is defined by the UN PRI as the incorporation of ESG issues into investment decision making processes with the aim of improving risk management and returns.

PRI signatories commit to six responsible investing principles:

- Principle 1: Incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: Be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: Seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: Promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: Work together to enhance our effectiveness in implementing the Principles.
- Principle 6: Report on our activities and progress towards implementing the Principles.

This engagement plan actively aims to support our pursuance of principles 1, 2, 3, 5 and 6.

4.4. Aligning with the UK Stewardship Code:

The UK Stewardship Code outlines a best practice approach to stewardship centred on the context, purpose, and outcome of stewardship activities.

Stewardship is defined in the UK Stewardship Code as the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Engagement and voting are central tenets of responsible investing and effective stewardship and involve purposeful dialogue with companies and voting management and shareholder resolutions at shareholder meetings.

This plan is designed to contribute to the alignment of our stewardship activities with the aspirations of the UK Stewardship Code, and we will be reporting outcomes as the plan matures.

Structure of Engagement Plan 2022

4.5. Company Engagement

At the start of 2021 CAM committed to initiating a structured dialogue with every investee company held within our UK portfolios, except those targeted for disinvestment. As the year progressed and our EU strategy grew, we included our EU holdings in the process.

In 2022 we are continuing this approach, using the information gathered during 2021 to inform our company interactions and assess the progress our companies have made in their management and reporting.

Stage 1:

Targeted letters are drafted using a segmented approach dependent upon whether the holding is new or existing, the company size, and the level of maturity. Letters are sent to Chief Finance Officers or designated executives.

Letters explain our view of the increasing importance of identifying, monitoring, and reporting relevant ESG information in a structured way using recognised frameworks and set out our expectations for improved ESG disclosures.

2022 letters make additional specific reference to the following:

- Climate change and the associated prioritisation of energy efficiency
- Diversity, equity, and inclusion

- The inclusion of meaningful ESG targets in executive remuneration packages

Letters are accompanied by an ESG Questionnaire tailored to company size and level of maturity, except those letters sent out to our smallest companies.

Letters sent to our smallest companies included an invitation to view and discuss an ESG questionnaire with the aim of increasing understanding regarding available reporting frameworks and tools.

The following is a sample list of some of the issues targeted by the letters and questionnaires:

Environmental Factors	Social Factors	Governance Factors
Climate change	Supply chain issues	Board Independence
Water scarcity and security	Labour relations	Committee structures
Energy security	Community relations	Financial disclosures
Deforestation	Product safety	Shareholder rights
Biodiversity	Trade practices	Remuneration

Stage 2:

Responses to letters and questionnaires are monitored by the ESG Team to provide standardised information that enables further discussions during subsequent individual company meetings.

Follow up engagements target the following, as appropriate:

- The quality of material risk identification
- The communication of sustainability strategy
- The integration of sustainability strategy within business strategy
- The direction of travel and priorities regarding ESG risk and opportunity management
- Progress and development of ESG reporting capabilities

Stage 3:

We continue to monitor the progress of investee companies in relation to standards and framework adoption, the effective reporting of trend data, and ESG management and commitments.

4.6. Collaborative Engagement

Knowledge of our investment universe highlights the challenging position small and medium sized companies often occupy in the economic eco system.

On the one hand, small and medium sized companies are often relied upon to deliver the ESG policy aspirations of governments and the ESG commitments of the larger corporates they supply or serve. They are also relied upon to adapt rapidly to changing ESG customer demands. However, on the other hand, standards and reporting frameworks are rarely designed with small and medium sized companies in mind and often pay little regard to the resource constraints experienced by these companies.

At the start of 2021 CAM committed to participating in targeted collaborations that address this situation with the aim of enabling the ESG monitoring and reporting needs of our investment universe.

During 2022 we are continuing to participate in this work.

Stage 1:

At the start of 2021 CAM became investor signatories to the CDP (Carbon Disclosure Project). The CDP is a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts.

In 2021 CAM participated in the CDP's Small and Medium Enterprise Climate Action Tracking, Accountability and Acceleration Project. The project aimed to develop a streamlined climate reporting framework specifically for small and medium sized companies. This was achieved and the SME Climate Disclosure Framework was launched in November 2021.

During 2022 CAM will participate in work with the CDP to refine the framework and consider the inclusion of further additional reporting modules.

During 2022 CAM will also continue to add our name to a CDP investor letter aimed at improving the ESG disclosures of larger corporates in relation to carbon emissions, water scarcity and deforestation.

Stage 2:

We will continue to monitor this work and report on progress.

Stage 3:

We will continue to look for opportunities to participate in collaborate work targeted at the ESG disclosure needs of small and medium sized companies.

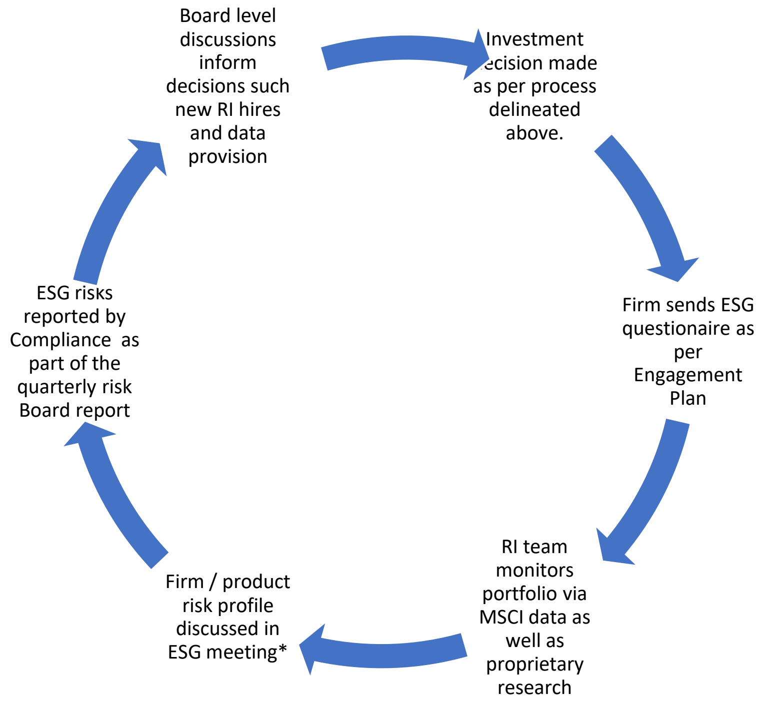
5. RISK MANAGEMENT FRAMEWORK

5.1. 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 Managing Director and CIO are present at all UK Equity Meetings and ESG Meetings, where all ESG risks in the portfolio can be discussed.

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



* *(Attended by Compliance Officer, CIO, and Managing Director)*

CAM believe in the circularity of oversight. Since the CIO and Managing Director 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 Managing Director, 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.

5.2. 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.

Carbon intensity, ESG Quality, exposure to controversial business activities, and controversies are all monitored using MSCI ESG data and discussed. Spikes in any exposures are investigated, with rationales sent to compliance for record keeping.

The Board recognises that ESG risks will be a driver of returns for investors and uses the policies and procedures in this pack to manage those risks, in line with its fiduciary and regulatory obligations.

5.3. Systems and Capability

Risk Infrastructure – CAM has identified two levels of risk identification. Primarily the employees of the company from its Board Members, through its fund managers, ESG team and compliance, all have responsibilities to manage ESG risk. CAM has fifteen employees; it is the company's culture for staff to pick up 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 on an EU fund does not pick up a high-risk investment prior to a new investment decision, the investment cannot be reviewed by the Responsible Investment Manager, and the high-risk investment might make its way into the portfolio impacting the fund's ESG score, which will be reported to the Board by Compliance.

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

Therefore, people are always the key part of the risk infrastructure. This is particularly the case with ESG where it has been recognised that data provision is widely disparate amongst data providers. CAM has chosen to subscribe to MSCI data, but recognise the data is neither perfect nor comprehensive. CAM's proprietary ESG data enables greater and more comprehensive insight into our exposure to ESG risk.

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, one member of each fund management team is encouraged to undergo specialist training in ESG risks and active stewardship.

5.4. 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 via MSCI and the 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, as often this is due to a change in how data is calculated without any change to the underlying investment case.

* Control – Any material change will be controlled via the company’s engagement process. Ultimately, if the investment risk is too much, 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 MSCI data as appropriate.

6. Annual ESG Risk report

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

We will report and discuss the following:

1. MSCI ESG Quality rating for the covered portions of our portfolios
2. Exposure to controversial business activities
3. Exposure to any significant controversies for individual holdings

As a part of our Responsible Investing policies development, we will 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