

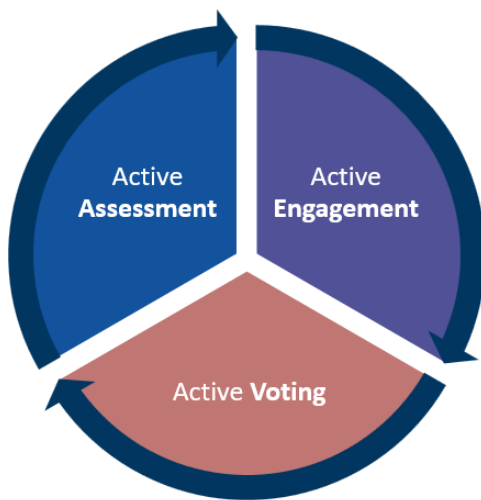
## RESPONSIBLE INVESTMENT UPDATE – H2 2022

### Tellworth’s Responsible Investment Approach

- Seeking both financial returns and positive ESG outcomes are **complementary goals**
- We aim to achieve this by capturing ESG risk in our portfolios and acting as stewards of our clients’ capital to promote positive change
- In-house bottom-up **ESG risk scoring, engagement and voting** are our tools
- The responsible investment process is **owned and managed by the investment team**

### Half-Year Responsible Investment Update

As a reminder, our approach to managing ESG risk in our portfolios and promoting positive change as stewards of our clients’ capital is achieved through a ‘triple active’ approach:



#### Assessment

In-house ESG scoring measures portfolio risk and highlights areas for improvement

#### Engagement

Working with companies to address issues and progress ESG policy

#### Voting

Utilise proxy voting rights to seek change where engagement has not resolved an issue

#### Active

The investment team itself owns and implements all aspects of the ESG process

#### Active Assessment

As companies take steps to develop and act upon increasingly meaningful ESG strategies, we are starting to see more instances of this prompting us to improve some ESG scores at company level, where this is justified by the progress being made. We always try to differentiate between rhetoric and tangible progress when assessing ESG updates from companies and will continue to monitor ESG metrics to support us in this analysis.

#### Active Engagement

The investment team has a good level of access to company management teams and boards, which provides an important platform to not only discuss ESG-related topics but to push for positive change where we see opportunities to do so.

We record our ESG-related engagements in our internal ‘ESG Blotter’, which keeps track of relevant company interactions and should over time help us to provide examples where our engagement with companies is helping to drive positive change. Recent examples are included in the following table.

**Tellworth Engagement Highlights - 2H 2022**

 Number of Recorded Direct ESG Engagements: **12**

<u>Company</u>	<u>Engagement Details</u>	<u>Outcome</u>
<b>TT Electronics</b>	Provided feedback to board on remuneration proposal, supporting increase in bonus scope on condition of performance targets to be more stretching and more comp deferred. ESG criteria should be put in context of strategy.	Shareholder feedback taken on board; EPS targets for bonus plan more stretching.
<b>Iomart</b>	Call with incoming Chair to discuss company strategy, management performance and ESG topics. Importance of cultural improvement stressed - further development of internal training and development a potential focus area.	Useful discussion. Monitoring Glassdoor reviews to assess improvement in internal culture.
<b>XPS</b>	Call with NED Chair of Nomination Committee to share feedback on attributes to look for in a search for a new Chair. Importance of engagement and progressive approach to strategy highlighted.	New Chair has since been appointed. Impact to be monitored over time.

### Active Voting

Proxy voting activities are undertaken directly by the investment team, which allows us to link our voting to Assessment and Engagement, as well as putting this activity in the context of our broader investment interactions with a company. Our voting activity is supported by a paid subscription to ISS, which provides third-party research on management resolutions and a vote management platform.

Our recent voting history is shown in the following table. Votes tend to be cast in line with management, reflecting our general support of the companies in which we have chosen to invest and the practices of their management teams. However, we are prepared to abstain or vote against on resolutions, where we feel that this is in the best interest of clients and shareholders. Such instances are considered on a case-by-case basis by the investment team and will tend to be supported by the Active Engagement process to establish a dialogue with the company on the issue and seek an improved outcome.

<b>Tellworth Proxy Voting Record</b>	2020 1H	2020 2H	2021 1H	2021 2H	2022 1H	2022 2H
Number of Items Voted	417	324	654	438	731	314
With Management	402	303	634	422	718	312
Against Management	15	21	20	16	13	2
With ISS	404	318	624	416	709	305
Against ISS	13	6	30	22	22	9

Some examples of votes against management and ISS in 2H22 are included in the following table.

#### **Tellworth Voting Examples - 2H 2022**

##### Against Management

<b>Cohort</b>	Abstained on voting on financial statements, where ISS was Against. Not willing to vote with management due to lack of disclosure around LTIP scheme but sought an improved outcome via engagement, rather than voting Against.
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##### Against ISS

<b>VP</b>	Voted against ISS in support of publishing financial statements, viewing the resolutions in context of the strategic review and potential sale process that was ongoing at the time.
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<b>Inspects</b>	Voted in favour of management with regards to remuneration, as consider the NED and Director options that ISS has issue with as acceptable in context of their quantum. Separately, Tellworth stressed the importance of adding a further independent NED as an engagement with the company.
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### **Concluding Thoughts**

ESG scoring, voting and engagement remains an ongoing and additive part of our investment process. ESG remains a live topic for the boards of almost all companies and we welcome the progress that this is fostering, in terms of more disclosure, better shareholder engagement and the integration of ESG aspects into a broader company strategy. Importantly for us, as companies have digested the recent wave of heightened interest in ESG from investors, we see ESG being considered and acted upon by companies in an increasingly meaningful way.

#### **James Gerlis**

*Fund Manager & Responsible Investment Lead*

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