

Asset Value Investors

Stewardship Policy & Voting Guidelines

Good stewardship is essential to preserving and enhancing long-term value. As responsible, active investors, AVI takes its stewardship responsibilities seriously and considers constructive engagement to be a powerful tool in maximising overall long-term value.

We believe that a company's ability to create long-term value is underpinned by a responsible approach towards the environment, society and governance. Such an approach also contributes to overall financial market stability by effectively managing sustainability issues and their associated risks. Therefore, we consider the integration of ESG factors into our investment process and stewardship activities to be a key part of our fiduciary duty.

We are committed to proactively engaging with portfolio companies to drive positive change by promoting sustainable practices and building resilience to material ESG risks for the long-term benefit of the company, wider stakeholders, and our clients.

Our approach

Active engagement is central to our strategy. Although they are closely linked, and one often informs the other, we consider there to be two forms of engagement – 'engagement for monitoring and information gathering' and 'engagement for change'.

Monitoring and information gathering

We view stewardship as a continuous practice and ongoing monitoring of our portfolio companies is fundamental to this. Our concentrated portfolio allows us to be in regular communication with the Boards and management of our companies to better understand their strategy and operations and ensure that our views are understood.

AVI has also developed a bespoke ESG monitoring system and conducts ongoing ESG assessments of portfolio companies, allowing us to track their performance against defined ESG metrics and their progress over time. This helps us to assess risk and identify areas where we can engage with companies to help them increase their focus on ESG and proactively address any weaknesses identified. As a starting point, we send bespoke questionnaires to each of our companies to request ESG information that we were not able to find from publicly available sources. This enables us to better understand each company's approach to ESG issues and encourage increased ESG disclosure. These questionnaires act as a useful foundation for wider dialogue and more detailed engagement on ESG issues with our portfolio companies.

We also closely monitor any controversies and potential violations of international norms and standards associated with our universe, supported by ISS Norms Based Research. Whilst we hope that controversies do not occur, they can be a marker of how well a company's policies are integrated into business operations and culture, highlighting vulnerabilities or structural problems and indicating where improvements can be made.

Please view our **Responsible Investment and ESG Integration Policy** for further information.

Engagement for change

We want to support businesses with a responsible approach to the environment, society, and governance which we believe to be necessary for sustainable long-term value creation. We recognise that we are in a unique position to question the practices of our companies and address material risks to drive meaningful change.

As long-term investors, we seek to build constructive relationships with the Boards and management of investee companies, preferring to work collaboratively and supportively wherever possible. Successful engagement requires a deep understanding of the company, and this is always our starting point. We conduct extensive research on our portfolio companies, offering detailed analysis, and specific suggestions and guidance to sustainably increase corporate value. The majority of our engagements are undertaken privately, however, if necessary, we may launch a public campaign to compel change.

Through constructive engagement, we encourage and expect investee companies to take meaningful action in remedying weaknesses in the context of responsible long-term value creation.

Prioritisation

The depth and bespoke nature of our engagement with investees requires significant resources. We identify and prioritise investees for focused engagement by considering:

- The size of our stake in the company and the size of its position in our portfolio(s).
- The effectiveness of the company's governance and leadership.
- The urgency and scale of any ESG issues identified.
- The materiality of ESG factors on financial and/or operational performance and the extent to which it contributes to systematic sustainability issues.
- ESG performance and track record, considering the extent to which improvement is being demonstrated and the adequacy of ESG-related public disclosures.

We believe that the tenets of good corporate governance are universal and that all companies should strive to adhere to them. AVI promotes the highest standards of corporate governance at all our investee companies; we have considerable experience in engaging constructively with Boards and management to suggest remedies for issues that we identify, and this remains central to our approach. Whilst we believe that the effective management of environmental and social issues flows from good governance, we recognise our responsibility and position of influence in expediting this process by specifically addressing environmental and social issues given the urgency of systematic sustainability issues and the potential impact of mismanagement of ESG issues on companies' long-term sustainability.

We are not driven by a thematic engagement approach whereby we choose ESG priority engagement topics and engage with all our portfolio companies on this theme, as we believe this would be inconsistent with our highly bespoke, company-specific approach to engagement. The materiality of environmental and social factors varies across industry and geographical region and must be considered within the company's particular context. Aided by our ESG monitoring system which helps to highlight trends and weaknesses, engagement topics are identified on a case-by-case basis, considering the likelihood and potential scale of impact of the issue identified. However, we recognise the importance and urgency of addressing systematic sustainability issues such as climate change and

human rights given the impact of these issues not only on the company, but on society and the overall stability of the financial system. These topics are formally integrated into our ESG monitoring system and where we evaluate there to be insufficient action or measures in place, engagement on these themes may be prioritised.

Climate Change

Climate change poses considerable financial risk and there is a collective duty to take urgent and meaningful action. We systematically assess both the environmental impact and dependencies of portfolio companies, as well as the extent to which credible strategies have been implemented and targets have been set to effectively manage this. As supporters of TCFD, we recognise this as an effective framework to increase awareness of climate related risks and opportunities to drive informed decisions for both companies and investors towards a decarbonised world. We assess a company's approach to climate change by considering:

- The scale of the company's impact and dependencies on the environment.
- The level of transparency regarding disclosure of material climate-related information.
- The extent to which climate related risks and opportunities have been identified and integrated into business strategy.
- Company alignment with the Paris Agreement and level of commitment expressed.
- Whether the company has defined a credible transition pathway and set targets to reduce negative impacts.
- The company's progress against stated goals.
- Involvement in environmental controversies or potential violations of international norms and standards.

We invest in a wide range of industries and recognise that decarbonisation cannot materialise overnight. Where companies show robust commitment and credible action, we are willing to be patient, however, if we assess the response to climate change to be inadequate, we will be proactive in working with companies to suggest remedies and use our influence to drive change. Whilst we expect all companies to take transparent, meaningful action on climate change, high-emitting sectors and/or those most exposed to climate change risk will generally be prioritised for engagement.

Human Rights

AVI fundamentally supports and respects the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights (UNGPs). Our investment decisions have real-world outcomes, and we recognise our responsibility to incorporate human rights considerations across our investment and stewardship activities to identify and mitigate negative impacts. Our ESG monitoring system provides a framework to conduct due diligence on our portfolio companies to assess actual and potential negative human rights impacts and the extent to which this is being effectively managed. We assess portfolio companies':

- Exposure to human rights risk in consideration of industry, business structure and geographical locations.
- Adoption of policies and procedures in alignment with UNGPs to protect employees and to identify, prevent and mitigate negative human rights outcomes throughout its operations.
- Processes to assess, engage and manage human rights risk throughout the supply chain.

- Provision of grievance mechanisms and remediation processes and who can access whistleblowing channels.
- Involvement in human rights-related controversies or potential violations of international norms and standards and whether effective remediation measures have been implemented.
- Level of transparency regarding disclosure of human rights-related information throughout its operations.

We view effective human rights risk management as a part of financial risk management. Companies that conduct themselves responsibly and in alignment with the UNGPs not only avoid negative impacts to people and society but avoid reputational, legal and financial damage to the company itself. We therefore want to see our portfolio companies adopt such an approach throughout their operations and are committed to engaging with companies to address weaknesses identified.

Escalation

We do not believe that a ‘one formula fits all’ approach to engagement is the most optimal way to achieve a result. Our process of engagement and escalation will vary with each company. It may include, but is not limited to, the following:

- Face-to-face/virtual discussions with management
- Meeting with non-executive directors
- Sending private letters and presentations
- Publicly engaging the entity e.g through an open letter/presentation
- Joining/leading a collaborative engagement
- Launching a public campaign
- Submitting shareholder resolutions
- Voting against the re-election of the chair or other directors on the board
- Calling an EGM
- Tender offer

Collaborative Engagement

We recognise the value of collaborative engagement to address issues of collective concern. Collaborative action is determined on a case-by-case basis and considered within the context of any ongoing individual engagement and whether it will help to progress our stewardship objectives. We are most likely to engage in collaborative initiatives in instances where we have less opportunity for direct individual communication with the company, for example, due to the size of our holding or the size of the company, or where we feel that similar demands are being made by others and streamlining voices and resources would benefit all parties.

Political Engagement

Given AVI’s small size, political engagement is not central to our approach. However, we may engage in activities such as signing petitions and responding to public policy consultations where we feel we can add weight or make technical contributions in shaping policy and reforms. Any direct political engagement efforts or involvement in public policy initiatives are within the oversight of the Director

responsible for ESG and responsible investment to ensure that any such engagement aligns with our responsible investment commitments and priorities. Similarly, any membership/support of third-party organisations that conduct political engagement is approved by this director. We believe that a core tenet of responsible political engagement is transparency. We will publicly disclose any direct political engagement activities or membership/support of third-party organisations that may conduct engagement on our behalf on our website or in Annual reports.

Responsibilities & Monitoring Progress

Responsible investment activities including stewardship and engagement activities are undertaken by the analyst responsible for each company, working closely with the portfolio manager. Our dedicated ESG analyst works alongside the investment team to highlight potential areas for ESG engagement and provide support in this process.

As active, fundamental investors, stewardship activities are closely linked with investment decisions and vice versa. For example, we may reduce exposure or exit a position if we reach a situation where the company is unwilling to engage in constructive dialogue or engagement objectives are not being achieved. AVI is a small team and stewardship activities, progress, and ideas are shared regularly both in informal discussions and at regular bi-weekly investment meetings to ensure an ongoing feedback loop.

AVI has also developed a centralised engagement tracking system integrated into our proprietary database. Through this platform, engagement activities are tagged according to the topics addressed and any updates and escalation is logged and accessible to all employees at any time.

Conflicts of Interest

As long-term stewards of our clients' capital, we seek to understand, protect and enhance the long-term prospects of our companies. This long-term perspective means that our responsible investment policies and stewardship priorities are aligned and embedded in our long-term objectives and our fiduciary responsibility to our clients. Therefore, fundamental conflicts of interest related to the implementation of responsible investment policies are not regularly encountered and our long-term objectives will generally override short-term gains. Any conflicts of interests that arise are carefully considered and resolved in the best long-term interest of our clients. Conflicts of interest arising from personal relationships must be reported to the compliance officer and are dealt with in accordance with our conflicts of interest policy.

Proxy Voting Guidelines

We consider proxy voting to be an important lever in engaging with the portfolio companies, ensuring that our perspectives on environmental, social and governance issues are represented and reinforcing views that have been shared through private engagement. AVI has a duty to vote carefully and thoughtfully in the best interest of its clients and takes this duty seriously. AVI aims to vote at every meeting when eligible.

AVI receives proxy voting research from ISS, however each vote is carefully assessed considering current practice, alignment with best practice and corporate governance standards, management perspective and our own insights and knowledge of the company.

We vote in favour of resolutions expected to advance progress on our stewardship priorities and will therefore generally vote in favour of environmental and social resolutions that seek to promote transparent and responsible management of natural and human capital while enhancing long-term shareholder and stakeholder value.

The following examples are not exhaustive but are designed to illustrate our guiding principles:

Environmental

AVI will generally vote in favour of proposals that seek:

- Transparent disclosure of emissions and/or relevant resource use.
- Analysis of climate related risks and opportunities aligned with TCFD recommendations.
- Commitment and action to reduce emissions in alignment with the Paris Agreement.
- Effective management of negative environmental impacts material to company operations.

Social

AVI will generally vote in favour of proposals that seek:

- To promote fair and safe labour practices and conditions.
- Transparency on adverse impacts on stakeholders/communities.
- Transparency on gender and racial equity and management of such issues.
- Alignment with the UN Guiding Principles on Business and Human Rights throughout operations.

Governance

AVI will generally vote in favour of proposals that seek:

- To enhance long-term value
- To improve the independence, balance of skills and diversity of the Board.
- To protect shareholder rights
- Greater transparency in corporate governance practices and ensure ethical conduct.

The above acts as a framework to promote consistency and accountability in our voting. Each resolution is however assessed on its own merit by weighing considerations such as:

- Does the proposal address an issue that our research identifies as material?
- Does the proposal seek to enhance the company's long-term sustainability?
- Does the proposal seek to enhance investor and stakeholder understanding of an issuer's processes and governance of the topic in question?
- Is the proposal thoughtfully crafted and makes a clear link to the company's long-term value?
- Are there potential unintended consequences of implementing the proposal?
- Is the proposal reasonable and practical for the issuer to carry out?
- Does the proposal align with our stewardship objectives, ensuring that it does not undermine or confuse any ongoing engagement with the company?

Reporting and Transparency

In cases where we decide to vote against an ESG-related shareholder resolution, we will publicly disclose our rationale. We may also share our rationale if we decide to vote against significant management resolutions where we feel the nature of any ongoing private dialogue with the company allows for this.

Engagement activities are regularly shared with our stakeholders via newsletters. Where possible we will also share a more comprehensive overview of engagement progress and outcomes in fund reports.