

# Engagement policy

## Canaccord Genuity Asset Management (CGAM)

### 1. Overview

The Shareholders Rights Directive (SRD II) aims to promote effective stewardship and long-term investment decision making, by enhancing the transparency of asset manager engagement strategies. Canaccord Genuity Asset Management (CGAM) is a designated Asset Manager for a number of mandates including a range of Unit Trusts and OEIC's as well as the Hargreave Hale AIM VCT. CGAM is therefore considered an asset manager under SRDII. This policy document sets out our engagement policy, in line with the requirements of SRDII.

### 2. Application

This policy relates to all mandates managed by the CGAM team.

### 3. Connected policies

- CGAM ESG Policy
- CGWM Conflicts of Interest Policy
- CGAM Conflicts of Interest Summary

### 4. Policy

#### 4.1 Purpose of company engagement

As an asset manager our main aim is to grow our client's investments over the long term. We believe in active investment management and seek to add value to our clients from investment selection. As a specialist in small cap investment, engagement with investee companies and potential investee companies is essential in order to build up a relationship with the companies' management team and knowledge of the company. Although we are not a specialist ESG/responsible investing asset manager we see ESG considerations as an important part of the investment process. Where necessary, we look to use our influence in the small cap arena to engage with investee companies to make them more active in

considering ESG factors. This is particularly important in the small cap arena, given the likelihood that such companies have less rigorous internal controls than larger peers due to resource constraints. There is also the relative lack of wider third-party oversight of these smaller companies. Such engagement with our investee companies should make them more sustainable and help us to achieve more sustainable long-term growth for the underlying client.

#### 4.2 Company engagement

We see regular meetings and dialogue with investee companies as a key driver to successful long-term investing. Historically, the investment team have had around 2000 meetings per year with investee companies and potential investee companies. We aim to meet each of our investee companies at least once a year, but in many cases, this is more often. This highlights that company engagement is a key part of the day-to-day activities of the investment team.

ESG considerations form a part of our investment process and during these meetings with companies ESG issues which have been identified in our due diligence are often discussed. These meetings give us an opportunity to raise issues and concerns we have in this area directly with the companies. This open dialogue with our investment team can bring such issues to the attention of the investee companies. Given the small cap nature of our investing, many companies have less stringent controls and are unable to allocate sufficient resources to ESG issues. Therefore, they can find any such points raised by our investment team as very useful to help make them a more sustainable business.

Where necessary, we will escalate our concerns in a more formal manner. For example, if we have serious issues and concerns around remuneration packages, board compositions, change of auditors etc we would look to raise our concerns. This may be by contacting the

Chairman, Non-Executive Directors, senior management or a company's 'Nominated Advisor' (NOMAD). In such scenarios, we would aim to raise our concerns in advance of voting on the issues to give companies a chance to respond or resolve the issues.

We deal with issues and concerns on a case-by-case basis and do not have any prescriptive measures in place on how these should be addressed. We flag issues that warrant further investigation, and each case has different sets of circumstances and therefore our means of escalating and action taken will be dependent on the individual case.

In addition, a bank of examples of where material ESG concerns have been raised is stored to further evidence ESG integration and escalation in the investment process. This is a constant process, where the investment team are considering these non-financial factors as part of the investment due diligence, and we will continue to build up our suite of evidence to demonstrate our ESG integration processes.

#### 4.3 Voting

We see the exercising of voting rights as part of our fiduciary duty and responsibility of effective stewardship. We do though have to balance these duties with the practicalities of a business of our size and resources and therefore take a proportionate approach to exercising any voting rights. As a general rule, we are more likely to exercise our voting rights where we have a significant holding of the issued voting share capital and less likely to exercise our voting rights on smaller holdings where our holding of the issued voting share capital is considered immaterial. As an initial measure, therefore, we have taken the decision to consider voting on occasions where CGAM holds more than 0.5% of the issued voting share capital of the underlying security but often also vote where we hold a smaller position. We would normally vote on all positions where the issue is deemed material or if we believe the issue is contrary to the

best interest of shareholders. Materiality in this context is subjective but we would likely pay particularly close attention to resolutions relating to the below matters. The following list is not exhaustive:

- Remuneration packages
- Related party transactions
- Change of directors or auditors
- Approvals of takeovers/mergers

All voting decisions are left purely to the discretion of the investment manager and CGAM does not employ the services of any third-party proxy voting advisers.

As part of our SRDII requirements, CGAM publish a voting summary along with engagement examples on our website on an annual basis. Full voting records are available upon request.

#### 4.4 Collective engagement

CGAM is part of a larger financial services group which includes wealth management and advisory services through Canaccord Genuity Wealth Management (CGWM). Whilst there are potential conflicts of interest between these entities, where possible we would undertake to address issues of common interest to our end-clients in a holistic fashion.

This is particularly important as CGAM and CGWM are important investors in the UK small cap and mid cap arena.

As with all smaller companies, the responsibility on owners to exercise stewardship is all the greater, given the likelihood that such companies have less rigorous internal controls than their larger peers and the relative lack of wider third-party oversight. Instances where we deem appropriate, CGAM may decide to co-operate with CGWM by aligning our mutual engagement with companies wherever it is expected to benefit the underlying clients from both our businesses subject to appropriate controls over conflicts of interest being in place.

In some rare scenarios, we may seek to participate in wider collaborative engagement with fellow shareholders if we feel this is necessary. Although it should be noted that our preferred approach to engaging with companies is to escalate issues directly with them as outlined above.

#### 4.5 Conflicts of interest

CGAM manages conflicts of interest explicitly to ensure that we adhere to the highest standards of corporate governance and that our client's best interests are always pre-eminent.

Part of this process is continual self-assessment of where new conflicts may arise. The CGAM Conflict of Interest summary can be found on our website.

In common with the wider investment industry, CGAM maintains a conflicts register. The register, amongst others, incorporates potential conflicts arising from our stewardship and engagement activities, particularly as they relate to the relationship between CGWM and CGAM.

From time to time, CGAM may be notified at an early stage when investee companies are contemplating major strategic or corporate initiatives and may therefore be in receipt of price sensitive information. CGAM can manage such information due to the Conflicts of Interest Policy we maintain and the care and diligence with which we manage receipt of such information.

The key conflicts as they relate to stewardship will be published alongside the other disclosures CGAM makes on our website, together with how those risks have been mitigated.

#### 4.6 Reporting

As part of our SRDII requirements, CGAM publish a voting summary along with engagement examples on our website on an annual basis. Full voting records are available upon request.

Voting records are presented at each CGAM Management Committee meeting which is held every second month. Any issues around this topic are discussed and action taken if required.