

# Engagement Policy

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## 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 Fund Management (CGFM) as the trading name of Hargreave Hale Limited (HHL) is a designated Fund Manager for a number of mandates including a range of Unit Trusts and OEIC's as well as the Hargreave Hale AIM VCT. HHL is therefore considered an asset manager under SRDII. This policy document sets out our engagement policy, in line with the requirements of SRDII. In addition, HHL has Stewardship responsibilities under the terms of the UK Stewardship code which we view in conjunction with the SRDII obligations. HHL's approach to its Stewardship responsibilities are outlined in the HHL Stewardship Policy.

## 2 Application

This policy relates to all mandates managed by the CGFM team

## 3 Policy

### 3.1 Purpose of Company Engagement

As a fund 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 fund manager we see ESG issues 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 issues. 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 our clients.

### 3.2 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 over 1500 meetings per year with investee companies and potential investee companies. We try to meet each of our investee companies at least once a year. 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 are often discussed. These meetings give us an opportunity to raise issues and concerns we have in this area 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 board, 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 in order to give companies a chance to respond or resolve the issues.

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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.

### 3.3 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 HHL holds more than 0.5% of the issued voting share capital of the underlying security. 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 HHL does not employ the services of any third-party proxy voting advisers.

Where we publish our voting records we only display votes which we regard as significant. We regard the threshold for disclosing individual votes to be the level of declarable ownership set by the exchange which the investee company is listed, when aggregated at entity level. For illustrative purposes, in most countries which we invest, this has been set at between 3% and 5% of the issued voting share capital of any given listed security. Whilst we may still vote on many more company resolutions, we display our voting records only on holdings which we regard as significant.

### 3.4 Collective engagement

HHL 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 HHL 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. We therefore may co-operate with CGWM and align our mutual engagement with companies wherever it is expected to benefit 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.

### 3.5 Conflicts of Interest

HHL 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 HHL Conflict of Interest Policy can be found on our website.

In common with the wider investment industry, HHL 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 HHL.

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From time to time HHL 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. HH is able to 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 annually alongside the other disclosures HH makes on our website, together with how those risks have been mitigated.

### **3.6 Reporting**

Our voting records will be published annually on our website.

We will also report the outcomes of our voting activity on an annual basis, identifying instances where we have voted against resolutions subject to the criteria mentioned above and we will give a brief outline of the reasons for doing so. The results of all this activity will be posted to the relevant section of the HHL website.

