

## Castlefield's Engagement Policy and Annual Disclosure

### Shareholder Rights Directive II

January 2024

#### Introduction

This document meets our obligations under the Shareholder Rights Directive II, which requires us to publish an engagement policy outlining how Castlefield:

- (1) integrates shareholder engagement in its investment strategy;
- (2) monitors investee companies on relevant matters, including:
  - (a) strategy;
  - (b) financial and non-financial performance and risk;
  - (c) capital structure; and
  - (d) social and environmental impact and corporate governance;
- (3) conducts dialogues with investee companies;
- (4) exercises voting rights and other rights attached to shares;
- (5) cooperates with other shareholders;
- (6) communicates with relevant stakeholders of the investee companies; and
- (7) manages actual and potential conflicts of interests in relation to the firm's engagement.

In addition, we are required to make an annual disclosure on how we have applied the policy. For this, please see our regular [stewardship reports](#) which provide data on our voting activity and case studies on our engagement work.

#### **(1) integrates shareholder engagement in its investment strategy**

At Castlefield, we are committed to long-term, thoughtful investing. Our company purpose is 'gathering assets, to do good'.

Engagement plays a crucial role at all stages in our investment process and this begins before we invest. Engagement prior to investing is helpful in assessing whether the company meets our screening policy (insert link). All prospective investments are assessed using our B.E.S.T analysis and engagement often provides additional information to help us make a more thorough assessment against each of the criteria:

**B** Business & Financial:  
What kind of returns or performance target does the investment aim to achieve?

---

**E** Environmental & Ecological:  
What is our assessment of any claims made on an environmental theme?

---

**S** Social:  
Does the investment aim/claim to have a positive social influence and if so, how?

---

**T** Transparency & Governance:  
Are the aims observable and/or measurable?  
Can we understand how it's supposed to generate the expected returns?

Once invested, we regularly engage with companies on issues on a wide range of issues. This include extensive engagement on ESG issues. We also vote at the shareholder meetings of all directly held companies. We provide more detail on this in section 3 below.

**(2) monitors investee companies on relevant matters, including: (a) strategy; (b) financial and non-financial performance and risk; (c) capital structure; and (d) social and environmental impact and corporate governance;**

Castlefield carries out ongoing monitoring of investee companies in order to remain informed of their strategy and performance, both in absolute terms as well as relative to a relevant peer group.

Of particular importance to Castlefield are:

- That strategic decisions are made to enhance the value and minimize the risks to the company;
- That the company's reporting is of a high quality with timely, transparent statements to investors and with high levels of voluntary disclosure in addition to the regulatory minimum;
- That the investee company's board and leadership are effective and adhere to the spirit of the UK Corporate Governance Code. Independent directors and associated committee structures should provide adequate oversight;
- That the company is aware of its social and environmental impacts, and takes steps to minimise its negative impacts where possible;
- That any issues that may result in a significant loss of investment value are identified as soon as possible and that in such circumstances, Castlefield will communicate with the company's Board or management to ensure that they are aware.

Castlefield monitors companies in the following ways:

- Using the B.E.S.T framework, as outlined in section 1 above, to assess the ESG risks of potential investments;
- Participating in calls and meetings with management, investor relations and CSR specialists;
- Following corporate announcements and articles about investee companies in the mainstream and financial press;
- Reviewing corporate publications, including corporate responsibility reports;
- Subscribing to data services to monitor company activity;
- Reviewing alerts and research reports issued by third party providers of ESG analysis.

From time to time Castlefield's engagement with investee companies may result in Castlefield being made an insider by a company or broker acting on their behalf. Castlefield will consider the relative merits of receiving information or of retaining the freedom to deal on a case by case basis. Castlefield will communicate its willingness (or not) to receive such information to its investee companies or brokers on a case by case basis.

Companies or brokers wishing to make Castlefield an insider should contact Mark Elliott, Head of Investment, in the first instance.

### **(3) conducts dialogues with investee companies;**

If Castlefield has any specific concerns about aspects of a company's strategy, performance, governance, remuneration, or approach to risks, including from a socially responsible or ethical point of view, we will look to raise these concerns with our investor relations contacts or company management. If, however it is felt that a constructive or transparent response is not forthcoming, we will engage with companies further. Such engagement may take the form of:

- Holding additional meetings with management specifically to discuss these concerns;
- Expressing concerns through the company's advisers;
- Meeting with the chairman, senior independent director, or other independent directors;
- Intervening jointly with other institutions on particular issues;
- Submitting resolutions and speaking at general meetings;

Or, alternatively Castlefield may decide to sell its interest in the company.

When considering environmental, social and governance issues, we aim to engage companies:

- On significant issues arising from the ESG research that the investment team carries out on all prospective investee companies;
- On issues arising from our voting activity, particularly where we intend to vote against the board;
- On complex, thematic issues such as climate change, cyber security, human rights and water scarcity, that may pose a threat to our investments over the medium to long-term;
- In response to negative media coverage or alerts from our research providers on an investee company;
- In industry collaborations.

Castlefield's Stewardship Report provides examples of our engagement activity. The most common ESG issues that Castlefield engages companies on include governance, human rights, labour standards and environmental management.

Castlefield also engages to provide positive feedback where, for example, a company has improved its management or disclosure of ESG risks or has undertaken a sector-leading approach.

We measure the effectiveness of our engagement by assessing a company's willingness to discuss and take on board the issues that we have raised. As a basic starting point, we are successful in instigating a dialogue with most of the companies we contact. Our aim is to build long-term, constructive relationships with the companies that we invest in, where we can ask for updates on ESG issues on a regular basis. However, not all engagement will generate immediate or direct improvements: we do not regard this as a failed engagement but a reason to continue to press the company to take action. Where we do not elicit a satisfactory response we may escalate, for example, by making contact with a more senior member of the board.

**(4) exercises voting rights and other rights attached to shares;**

Castlefield seeks to vote at all company meetings for shares held within the Castlefield fund range. Where Castlefield Investment Partners acts as a discretionary investment manager for segregated accounts, its terms of business also allows it to cast votes over shares held in nominee. Castlefield will exercise its authority to vote all shares in holdings common to the fund ranges and segregated accounts. Any other voting activity will be undertaken on a case by case basis, with consideration for the number of holders and size of overall shareholding. Unless there are compelling reasons to the contrary, will vote in accordance with Castlefield's [Corporate Governance and Voting Guidelines](#). These guidelines are based on the UK Stewardship Code, although in many instances we go beyond the Code's requirements and set more stringent expectations of the companies that we invest in. They are updated annually by our internal Stewardship Committee. Our External Advisory Committee also reviews any amendments.

Castlefield uses third party research to inform voting decision-making but does not rely on the recommendations made by such services.

Castlefield's [voting record](#) is publicly available on the Castlefield website and provides detail on every vote cast by the investment team. At present, this record is published once a year. In addition, Castlefield's Stewardship Reports contains summary data on our quarterly and annual voting.

**(5) cooperates with other shareholders;**

Castlefield is open to working collectively with other investors on either a formal or informal basis. This may be in circumstances when our approach to engaging with the management of investee companies is unsuccessful or when risks posed threaten to destroy significant investor value.

Castlefield is particularly interested in collective engagements that encourage investee companies to address ESG issues, or in engagements that drive change at an industry level. Castlefield is an active participant in the Business Benchmark on Farm Animal Welfare initiative, FAIRR, the 30% Club and ShareAction's Workforce Disclosure Initiative and Healthy Markets projects.

**(6) communicates with relevant stakeholders of the investee companies; and**

Our main vehicle for communicating on our voting and engagement activity is our quarterly stewardship report, where we provide highlights of our most substantive interactions with investee companies. We also disclose our voting record in full on an annual basis on our website. This means

that any stakeholder of an investee company can easily ascertain how we have voted and see a summary of any substantive engagement we have undertaken.

**(7) manages actual and potential conflicts of interests in relation to the firm's engagement**

We, or a company with which we have an association, may from time to time have interests which conflict with those of our clients or with the duties we owe to our clients. To prevent the risk of damage to clients' interests as a result of any such conflict, we have in place organisational and administrative arrangements to deal with potential conflicts.

Potential conflicts of interest in relation to stewardship and engagement could include:

- We may hold positions and/or provide transactional related services for more than one client and such clients may have competing objectives in relation to a position or transaction.
- The interest of Castlefield Partners Ltd could conflict with those of a client
- Individual client interests could conflict with other investors
- Castlefield or one or more of our partners or employees may have other business relationships with a company in relation to securities clients enter into on a transaction
- In carrying out our business, employees may learn confidential or proprietary information about its clients, their underlying clients, prospective clients and their underlying clients or other third parties. Employees are required to maintain the confidentiality of all such information entrusted to them, except where disclosure is otherwise authorised or legally mandated. Further, employees are not permitted to use such information for their personal gain.
- Our employees are not permitted to trade in the shares of our clients unless the client's shares are widely traded on a regulated market and where the service provided by us represents a very small fraction of the client's total business.

We seek to manage any potential or actual conflicts within our business with the over-riding aim of ensuring our clients are not disadvantaged by the conflict.

Castlefield operates Chinese walls to restrict the flow of information between relevant departments or individuals where we believe potential conflicts could arise. We operate a prohibited stock list to prevent dealing in certain securities. We maintain a conflict of interest register in line with FCA requirements. We review the conflicts register and procedures at risk committee meeting on a quarterly basis to ensure there is awareness of the new conflicts which have been identified and our procedures are sufficient in managing the conflict.

In addition, Castlefield has a [Conflict of Interest Policy](#) which sets out our policy for identifying and managing conflicts of interest where the interests of individual clients may differ. This policy is available on the Castlefield website [www.castlefield.com](http://www.castlefield.com) and covers a range of issues including transactional services, dealing and personal dealing, client confidentiality and Castlefield's remuneration structures.