CGWM Engagement Report 2023

1 January 2023 to 31 December 2023

CGWM process

Given the resources at our disposal, Canaccord Genuity Wealth Management (CGWM) has chosen to exercise voting rights on behalf of our clients on a proportionate basis on the companies that are outlined below:

1. The top 100 positions by value within CGWM's combined discretionary and advisory client base in equities, including Investment Trusts, Real Estate Investment Trusts and Private Equity firms, listed on Recognised Investment Exchanges anywhere in the world
2. Companies in which we hold over 3% of the issued equity capital
3. Venture Capital Trusts (VCT) investee companies we hold in VCT portfolios run by Hargreave Hale Ltd (outside of the scope of this policy and process).

Clients may choose to vote on companies held in their portfolios in line with their individual preferences. In the event a client issues their own voting instruction, this will supersede the decision made by the Chief Investment Officer (CIO) team for that client only. In the event clients exercise this right, a charge is payable in accordance with their agreed Terms of Business.

It is estimated that on average each company creates 1.3 votable events per year (Annual General Meetings, Extraordinary General Meetings, Special Shareholder Votes), each of which will typically comprise of between nine to 15 resolutions put to ballot. Assuming 130 companies on CGWM's monitored list, the mid-point number of resolutions (12) and 1.3 votable events per year, this will equate to a total of just under 2,030 votes per annum across 170 voting venues. The VCT business noted in bullet 3) above is not included in this estimate.

CGWM has engaged Institutional Shareholder Services (ISS) to advise on voting issues. As part of this engagement, CGWM has elected in the first instance to adopt the ISS template voting policy. The key principles underlying this policy are found here: ISS Global Voting Principles CGWM's default position is to vote in line with ISS recommendations except in instances where we consider the outcome of those recommendations to run counter to our clients' best interests.

Where necessary and proportionate, we will escalate our concerns in a more formal manner. In the first instance, this engagement will be channelled through the relevant investor relations function within the investee company (or in their absence, their delegated corporate access agent) or their nominated corporate advisor. From then onwards, escalation is taken up to senior management either verbally or in writing and, if necessary, would be escalated to the Chair of the Board.

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. An escalation policy is in place as part of our shareholder voting and engagement process. Each case has different sets of circumstances and therefore our means of escalating and action taken will be dependent on the individual case.

We may seek to participate in wider industry shareholder initiatives if we feel this is necessary, seeking to enhance the quality of corporate governance and improve ESG outcomes for the benefit of the longer-term economic interests of our clients.

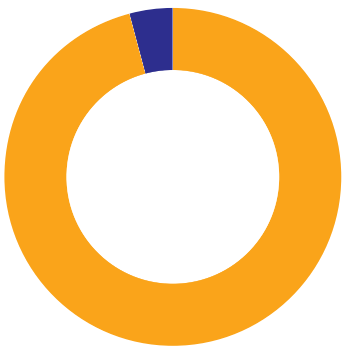
CGWM voting

Breakdown of voting statistics

During the period, we voted on 1874 resolutions across 113 meetings. We voted in favour of management proposals in 95% of circumstances and either against the proposal or abstained in voting for 5% of cases.

Full details of our votes are available on request.

Total votes for/against



Breakdown of meetings by sector

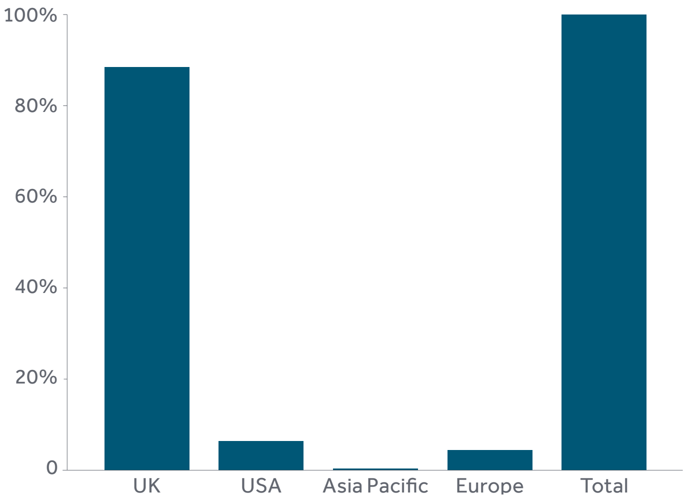
As shown in the table and graph below, in total, we voted on proposals across 12 different sectors, with the largest sector being Investment Trusts at 29.2%.

Meetings by sector	Percent
Communication services	**4.4%**
Consumer discretionary	**2.7%**
Consumer staples	**7.1%**
Energy	**1.8%**
Financials	**15.9%**
Health care	**10.6%**
Industrials	**12.4%**
Information technology	**6.2%**
Investment Trusts	**29.2%**
Materials	**4.4%**
Real estate	**2.7%**
Utilities	**2.7%**

Breakdown of meetings by geography

A large majority of votes were on companies in the UK (Jersey and Guernsey included), with some votes within the US, Europe and Asia Pacific but considerably less.

Percentage of votes by location



Case studies of company engagement

Craneware

We were initially looking to vote against the proposal to re-elect one of their directors, due to potential independence issues where the director would have also sat on the Audit and Remuneration Committee. After engaging with the company Chief Financial Officer (CFO), they outlined their belief that the director remains independent and has the necessary insights into the US market to provide value to customers and shareholders. Alongside this, they outlined their plans to consider and review the board as well as the committee compositions within the next year as they look to review the memberships as individuals at the company gain better insights and experience. We felt that this was a sufficient reason to amend our initial intentions to vote against management and to vote for the resolution in this instance, but monitor the committee's composition and next year's AGM resolutions to see if they had made any progress to address this issue.

James Halstead

We were looking to vote against their financial statements and statutory reporting resolutions, particularly regarding the undisclosed conditions for options granted to Executive Directors and the non-compliance of their Audit and Remuneration committee composition. They clarified the conditions to which they were granted as well as confirming that future Regulatory News Service RNS announcements will clarify these points. The committee issue involves a Non-executive Director (NED) exceeding the nine-year guideline, which was to be resolved post-AGM to align with recommended practices. We found this explanation adequate for now and amended our voting intentions, again, with the caveat that we will monitor the changes and improvements in the coming year.

Alphabet

There were 13 resolutions that were looking to vote against, ranging from the election of directors, the quality of company reporting/disclosures and the approval of remuneration plans and policies. We reached out several times asking for their reasoning behind their decisions and whether they were looking to amend their decisions, escalating to the Chief Investment Officer, but found that we unable to contact them. As such, we voted against management for the below resolutions:

Resolution number	Proposal
1d	Elect Director John L. Hennessy
1e	Elect Director Frances H. Arnold
3	Amend Omnibus Stock Plan
4	Advisory Vote to Ratify Named Executive Officers' Compensation
5	Advisory Vote on Say on Pay Frequency
6	Report on Lobbying Payments and Policy
8	Report on Framework to Assess Company Lobbying Alignment with Climate Goals
10	Report on Risks of Doing Business in Countries with Significant Human Rights Concerns
11	Publish Independent Human Rights Impact Assessment of Targeted Advertising Technology
12	Disclose More Quantitative and Qualitative Information on Algorithmic Systems
13	Report on Alignment of YouTube Policies With Online Safety Regulations
17	Adopt Share Retention Policy For Senior Executives
18	Approve Recapitalization Plan for all Stock to Have One-vote per Share

Full reasonings available on request.

Amazon

Like Alphabet, there were also several resolutions we were looking to vote against management for Amazon. We reached out on numerous occasions, again, escalating to the Chief Investment Officer, but were unable to achieve a response from them. As such we voted against management for the below resolutions:

Resolution number	Proposal
1d	Elect Director Edith W. Cooper
1f	Elect Director Daniel P. Huttenlocher
1g	Elect Director Judith A. McGrath
3	Advisory Vote to Ratify Named Executive Officers' Compensation
7	Report on Customer Due Diligence
10	Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines
12	Report on Climate Lobbying
13	Report on Median and Adjusted Gender/Racial Pay Gaps
16	Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining
20	Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates
21	Commission a Third Party Audit on Working Conditions
22	Report on Efforts to Reduce Plastic Use
23	Commission Third Party Study and Report on Risks Associated with Use of Rekognition

Full reasonings available on request

ESG Integration

In accordance with our firm wide ESG process, we will endeavour to integrate Morningstar/Sustainalytics ESG ('MSE') Globe Ratings (5 Globes = Best, 1 Globe = Worst) into both our fund (including investment trusts) and direct equity selection processes, within the remit of the following committees.

- Fund Selection Committee
- Investment Trust Committee
- UK Large Cap Stock Selection Committee
- UK Small Cap Stock Selection Committee
- International Stock Selection Committee.

While the ESG methodology that we use for funds and direct equities will inevitably have some differences, where possible we aim to take a consistent approach across both funds and direct equities across the five committees.

Goal

Our aim is to assign as many stocks and funds as possible on our approved lists with a MSE Globe Rating. Over time we expect the Globe Rating of our approved lists to gradually improve as we aim to have less stocks/funds with poor ESG credentials on our approved lists.

Methodology for Direct Equities

1. Initial set-up process

(a) Where MSE Globe Rating is available

Rating of just 1 Globe: For those stocks with a ranking of just 1 Globe, we aim to engage with management of the company to try and understand if there is a strategy in place to try and improve their ESG credentials which over time should lead to them be awarded a higher Morningstar Sustainalytics Globe Rating.

We will also request a copy of the stock's Sustainability Report if it is not available on their website.

- The findings of the above discussions with management are discussed at the next relevant stock selection committee meeting which may lead to the stock being removed from the list.

Rating of 2 Globes or higher:

- No immediate action will be taken.

(b) Where MSE Globe Rating is not available

For those equities which don't have a MSE Globe Rating we contact the company to understand why this is the case and enquire as to whether they plan to rectify this soon.

We will also request a copy of the stock's Sustainability Report if it is not available on their website.

- The outcome of this engagement with management will be raised as an agenda item at the proceeding relevant stock selection committee.

2. Monthly reporting

On the last working day of every month a MSE report will be run for the entire equity approved list which highlights all changes (both positive and negative) over the previous month. These changes are then raised as an agenda item at the proceeding relevant Stock Selection Committee meeting.

(a) A downgrade the MSE Globe Rating to 1 Globe: In the case of a downgrade to 1 Globe we engage with the company to try and uncover why their ESG Globe Rating has been downgraded and to gain comfort that a plan is in place to try and address this. We will request a copy of the stock's Sustainability Report if it is not available on their website.

- This MSE Globe Rating downgrade is raised as an agenda item at the next relevant stock selection meeting.

(b) A downgrade of an ESG rating by at least 2 Globes: We engage with the company to try and uncover why their ESG Globe Rating has been downgraded by two or more Globes to gain comfort that management/board has a plan is in place to try and address this. We will request a copy of the stock's Sustainability Report if it is not available on their website.

- This MSE Globe Rating downgrade (of at least 2 Globes) is raised as an agenda item at the next relevant stock selection meeting.

3. Adding a stock to the Equity Approved list

Before a new stock is added to our Equity Approved List, its ESG rating will be assessed using the MSE Globe Rating methodology. Only if there are extreme mitigating factors such as the stock being a spin-off or an IPO, would we consider adding a stock to our approved list with a MSE Globe Rating of just 1.

If a MSE Globe Rating is not available, we contact the company to understand why this is the case and enquire as to whether they have plans in place to rectify this soon.

While we do not intend to delay adding a company to our approved list if it does not have a MSE Globe Rating, we will try to get this data as soon as possible if its available. If we believe that the company is unlikely to receive a MSE Globe Rating in the near future, we will document this in the equity committee meeting minutes.

CGWM third party funds ESG review

Canaccord adopts a proportionate approach to ESG within our fund selection process, and we understand that there exists a wide spectrum when it comes to sustainable investment. Many of the funds we invest in adopt different strategies, but all of them integrate ESG in some form. For example, some of our funds might consider ESG factors to screen out inherently poor corporate practises, whilst others are investing to create a positive impact for people and the planet. There isn't an inherently right or wrong approach, and engagement has become increasingly important when discussing decarbonisation.

What credentials do we look for?

We want to partner with fund houses that are either current signatories to the UN PRI or are in the process of applying, and who take their obligations as signatories very seriously. Our initial findings suggest that most of our fund houses (over 95% of our equity fund houses) are UN PRI signatories and have also implemented net zero targets. We hope to positively engage with and encourage those few who have not become signatories, to do so. We take this position seriously, and prolonged pushback on this credential could result in divestment.

Another equally important aspect of our research is understanding the degree to which ESG factors are integrated into the fund investment process, and the consistency of such an approach through history. We scrutinise funds carefully to ensure that in our selection pool greenwashing is minimised, and we encourage managers to be as transparent as possible about their strategies. At the time of writing, we have not sold a third-party fund due to a high level of greenwashing, and remain confident that our selection criteria is robust enough to identify these at an early stage.

On an ongoing basis, we seek to engage with our fund managers on a variety of matters, including controversial portfolio exposures, and in turn, to understand more about their own voting and engagement practises. We use our significant stake in some of our mandates to promote positive outcomes where possible.

ESG Ratings assessment

We use an external rating system to monitor our third-party funds' environmental, Social and governance credentials at a high level. This includes a general rating, which amalgamates the underlying securities rankings to provide an average score for a fund, which can be compared on a relative basis to its own peer group. We also review carbon metrics, particularly the weighted average carbon intensity of a fund vs its peers. These metrics are one of the many ways in which we seek to stay informed about a fund's credentials throughout the course of investment.

Data limitations

It should be noted that information is limited for specialist vehicles and asset classes outside of equities. Information points for other ESG metrics, such as biodiversity, water intensity and board diversity are also extremely limited and fragmented but is gradually improving.

We also acknowledge that due to the ratings being applied to peer groups, on occasion there will be nuances which need further investigation. For example, a UK fund might rank lower than an Emerging Market fund, if the latter is best in class within its peer group. In order to mitigate this nuance, we focus our attentions to the lowest rated funds across the board, thus hoping to capture bad ESG practises irrespective of sector or peer group.

General ESG ratings

	Total # approved Funds (including offshore equivalent strategies)	Total # without ratings 12m ago	Total # without ratings today	Total # with lowest rating 12m ago	Total # with lowest rating today
Equity Funds	157	10	11	7	10
Bond Funds	75	26	16	6	6
Alternative Funds	16	3	3	0	0
Investment Trusts	134	57	58	5	6

As can be seen from the metrics, the Investment Trust sector has very limited data compared to other sectors. The key reason for this is the underlying exposure of the alternative investment trust products, which tend to be real assets such as infrastructure or private equity, and reporting lines have not been consistent. Most of the our vanilla equity investment trusts had ratings at the time of analysis (72 out of 79). Equity funds showed a slight deterioration in terms of the number of funds receiving the lowest rating, but this still amounts to less than 1% of the equity list excluding those without data, and well within tolerance.

Carbon intensity

	Highest risk Category. % of funds	Risk Category. % of funds without data	WACI Scope 1,2 and 3 better than category avg. % of funds	WACI Scope 1, 2 and 3, worse than category avg. % of funds	WACI Scope 1, 2 and 3 no data. % of funds*
Equity Funds	0%	1%	72%	26%	2%
Bond Funds	4%	6%	58%	26%	15%
Alternative Funds	0%	12%	65%	24%	12%
Investment Trusts	0%	34%	44%	20%	36%

Data is rounded and may not add up to 100%.

We are pleased to report that most of our open-ended funds are less carbon intensive than their relevant peer groups. Investment Trusts are a relatively difficult sector, as there is limited information for alternative and fixed income strategies. However, the majority of our equity strategies are less carbon intensive than their relevant peer groups. For trusts without comparable sector data, the trust's themselves were classified as not having data. This is because some of those sectors are incredibly specialist (such as battery storage) and comparisons to other sectors would not be relevant.

CGWM engagement with third party fund managers

We formally review all our approved fund managers at least annually, and more if necessary. Our engagement centres on assessing investment process consistency, capital allocation, risk-adjusted performance, operational risk and liquidity. We also engage with our managers from time to time on specific stocks and will provide examples of those below.

Example 1 – Unilever (Proactive engagement on a specific stock)

We have engaged with several managers over Unilever. One pertinent example of engagement is through Lindsell Train UK, which is a core holding for CGWM (at the time of writing). The fund is in turn a major shareholder on the register of Unilever. The Company has underperformed the market and international peers for several years and we have engaged with the fund manager around operational and share price performance over this period. The manager has voiced his support for change at the Board level, including Nelson Peltz' involvement as an activist. Our engagement has revealed that there could potentially be significant value in Unilever on a sum of the parts basis, and we will continue to support fund managers to focus on long-term outcomes that are beneficial for our clients.

Example 2 – US regional banks (Reactive engagement, triggered by prevailing market conditions)

In 2023, the US experienced a regional banking crisis, during which time a handful of small to medium sized US banks failed, which triggered a sharp decline in global bank stock prices. We assessed our underlying third-party fund exposure to the key banks in question and engaged with the managers. For example, according to our database, three of our open-ended funds had exposure to Signature Bank, although pleasingly, we had no exposure to Silicon Valley Bank. We also assessed other banks including First Republic and Signature Bank and found residual exposure across a small number of our approved funds. In all these cases we asked for the fund manager's views on the companies and potential steps they would undertake to secure stakeholder value where possible.

Other key engagement points during 2023:

Digital 9 Infrastructure Trust (Corporate Governance issues)

We have engaged with the above trust over the course of two years, owing to significant underperformance, and concerns surrounding concentration risk and leverage. The Team engaged with fund managers throughout the year, and the Board and wider investment trust analyst community more recently, to decipher the best course of action for shareholders. The result of this lengthy process was the Board's decision to wind down the trust and return assets to shareholders. We will continue to engage with the company throughout this process.

Third party fund manager engagement with investee companies

Evenlode

Evenlode firmly believes that engagement is an important tool in bringing change to investee companies. Building a strong long-term relationship with executives and senior level management is a key contributing factor to further understanding the business and its long-term strategy. The stewardship analysts are responsible for all the voting and engagement activity at Evenlode. For every company meeting, an annual general meeting (AGM) analysis is created, highlighting specific governance considerations such as remuneration packages and board structure.

As an example, Evenlode has had various positive engagements with a particular investee company. The company shared its inaugural sustainability report and wanted to garner feedback on their strategy and key targets. The Evenlode Team wanted to get a better understanding of their carbon net zero targets, renewables strategy, their emissions reduction vs offset plan, and if value chain emissions were included. In response to Evenlode's request for more information, they were able to learn that a large proportion of their energy was derived from renewables, stressed the importance of measuring scope 3 emissions and that the business will be looking to formalise their carbon reduction plan aligning to the Science-Based Target Initiative (SBTi) in the coming year. The Evenlode Team thanked the business for the detailed explanation and commended them on their rapid progress of their renewables project.

Montanaro (Taylor Wimpey)

A site visit was conducted to a new Taylor Wimpey project in Chiltern Woods, Sudbury, Suffolk, focusing on their "Net Zero Ready Homes" initiative. The site visit followed a prior call discussing Taylor Wimpey's net-zero ambitions and sustainability goals. Taylor Wimpey noted that customer sentiment regarding sustainability has grown, with over 50% of respondents willing to pay more for green homes. In 2025, the Future Homes Standard (FHS) will require a 75-80% reduction in carbon emissions from new homes, compared to current building regulations. Taylor Wimpey is conducting trials for "Net Zero Ready Homes" ahead of these regulations. These homes rely on government decarbonisation of the grid to become truly net zero.

The site featured several nature positive interventions, including wildflower meadows, "bug hotels" for to provide habitats and food for wildlife, bird and bat boxes, bee bricks for solitary bees, swift bricks for swifts, hedgehog highways, and beehives. Taylor Wimpey has worked closely with supply chain partners to design homes with innovative technologies. Challenges in supply chains include manufacturing, availability, and distribution. It also emphasised the importance of helping its suppliers to reduce the associated Scope 3 emissions attributable to Taylor Wimpey.

Different homes on the site showcased various low-carbon technologies, including wastewater heat recovery, air source heat pumps, PV panels, exhaust air heat pumps, ThermaSkirt (heated skirting boards), electric underfloor heating, infrared heating, smart hot water cylinders, and smart monitoring systems. The site visit provided insights into Taylor Wimpey's approach to achieving net-zero carbon homes. Notably, that the combinations of technologies indicate multiple pathways to achieve net zero status within the housebuilding sector. Innovations included wastewater heat recovery systems and various smart technologies to optimise energy use and meet the FHS while ensuring homes remain customer-focused and cost-effective.

Investment Trust Board Engagement

We initiated our official Board Engagement policy in July 2023. We formally engaged with the following Investment Trust Boards during the year.

	Engagement points	Satisfactory or issues raised
Montanaro European Smaller Companies	Board size, capital allocation and fund manager monitoring	Satisfactory
Dunedin Income Growth	Board diversity, capital allocation and fund manager monitoring	Issues were raised over underlying fund team turnover
Bellevue Healthcare	Share redemption	Satisfactory
Baillie Gifford Shin Nippon	Board structure, capital allocation and fund manager monitoring	Issues were raised over the share buyback policy
Herald Investment Trust	Persistency of discount.	Issues were raised over the buyback policy