

RIVER AND MERCANTILE

VOTING & COMPANY ENGAGEMENT REPORT
2021

INTRODUCTION

River and Mercantile Asset Management LLP (RAMAM) is UK based, long-only active equities manager specialising in the management of Global, European and UK equity portfolios on behalf of institutional clients.

As an active equity manager, we believe that we are not only the stewards of the assets entrusted to us by our clients, but that we also have a fiduciary responsibility to improve the management of companies for all stakeholders, whilst not compromising our objective of achieving strong financial returns. We further believe the best process for improving the management of companies is through engagement and investor peer group pressure. Where we are amongst the largest shareholders in a company, we can exert more influence through engagement with the company's management, otherwise voting at annual and extraordinary general meetings is our most effective way of encouraging change.

We regard voting at company general meetings as an important aspect in improving the stewardship of a company in the interests of all stakeholders. We view voting as a core underpin of engagement and it is a keyway we act as an active owner. The fundamental principles of our voting policy are included in the River and Mercantile Asset Management LLP Corporate Governance Voting & Engagement Policy, available [on our website](#).

We use a third party, Institutional Shareholder Services (ISS), to implement our voting policy, overriding their recommended action when it differs from our view on the standards for good corporate governance and management of environmental and social issues.

In this Report we outline our voting and engagement activity during 2021 across all equity strategies in line with the principles of the EU Shareholder Rights Directive (known as SRD II). The information contained covers all company meetings, including annual general meetings and extraordinary general meetings that we voted at globally and those companies which we engaged with on topics related to governance, environmental or social issues. The voting activity summary on page 3 covers the respective sub-funds of the ES River & Mercantile ICVC Funds managed by RAMAM. This is also representative of how we voted on behalf of our segregated clients that follow the same UK and Global equity strategies.

VOTING ACTIVITY 2021

Total number of meetings voted – 1167

Agenda items where voted against management recommendations – 15.0%

Percentage of votes cast differently to ISS recommendation – 10.7%

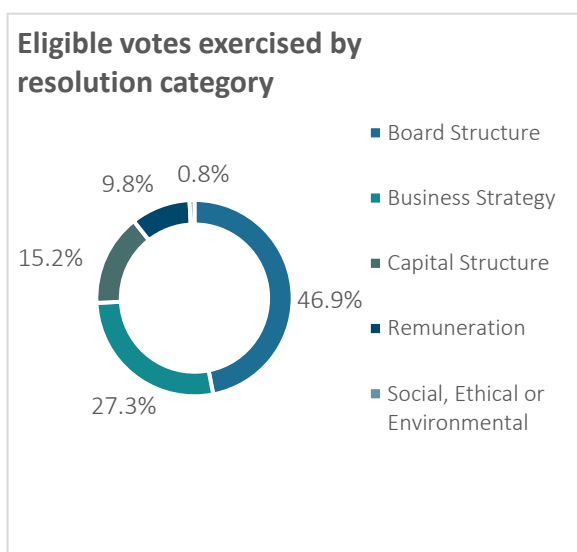
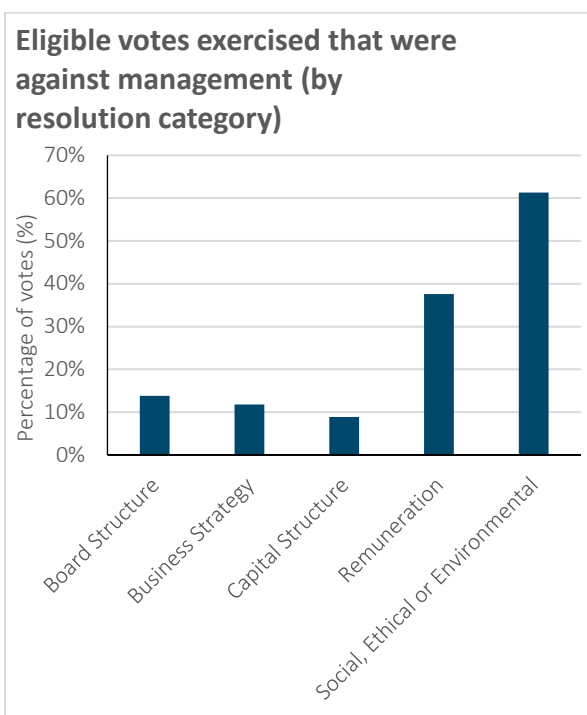
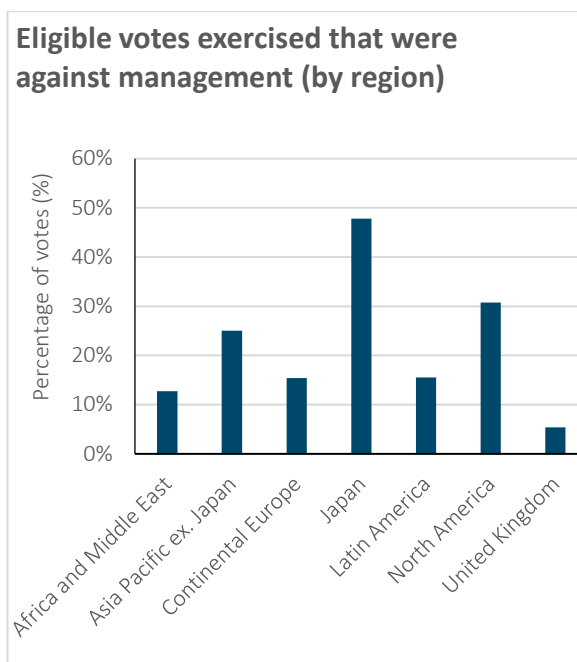
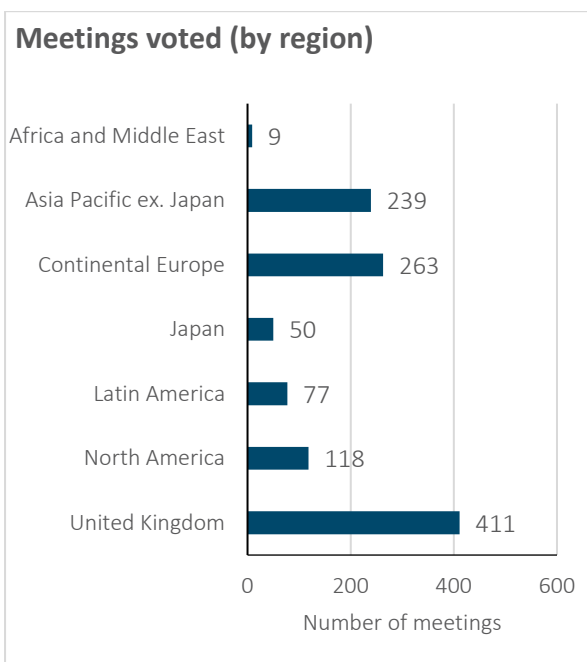
Number of meetings with at least one vote against management recommendation –
56.1%

ENGAGEMENT ACTIVITY 2021

Total number of interactions (through emails, letters, telephone calls and meetings) – 96

2021 VOTING SUMMARY

In 2021, we voted at **1167 company general meetings**, voting against management recommendations on 15.0% of the resolutions, with at least one vote not supporting management recommendations at 55.3% of the meetings. We voted on 262 shareholder resolutions, 55.3% of votes were against management recommendations. The graphs below illustrate where such votes were exercised by region and resolution category, as well details of votes against management recommendations by our fund managers. Full details of our votes can be found [on our website](#).



Source: Institutional Shareholder Services

ES RIVER & MERCANTILE FUNDS ICVC VOTING ACTIVITY 2021

UK Equity Funds

VOTING – UK Dynamic

- Total number of meetings* voted – 75
- Agenda items where voted against management – 3.8%
- Percentage of votes cast differently to ISS recommendation – 4.4%

VOTING – UK High Alpha

- Total number of meetings* voted – 296
- Agenda items where voted against management – 5.9%
- Percentage of votes cast differently to ISS recommendation – 6.2%

VOTING – UK Income

- Total number of meetings* voted – 93
- Agenda items where voted against management – 4.6%
- Percentage of votes cast differently to ISS recommendation – 5.8%

VOTING – UK Recovery

- Total number of meetings* voted – 368
- Agenda items where voted against management – 8.4%
- Percentage of votes cast differently to ISS recommendation – 8.0%

VOTING – UK Smaller Companies

- Total number of meetings* voted – 99
- Agenda items where voted against management – 3.6%
- Percentage of votes cast differently to ISS recommendation – 7.4%

European Equity Fund

VOTING – European Fund

- Total number of meetings* voted – 52
- Agenda items where voted against management – 10.7%
- Percentage of votes cast differently to ISS recommendation – 7.6%

Global Equity Funds

VOTING – Global High Alpha Fund

- Total number of meetings* voted – 256
- Agenda items where voted against management – 23.1%
- Percentage of votes cast differently to ISS recommendation – 16.0%

VOTING – Global Recovery Fund

- Total number of meetings* voted – 524
- Agenda items where voted against management – 22.5%
- Percentage of votes cast differently to ISS recommendation – 13.8%

River and Mercantile UK Micro-Cap Investment Company Limited

VOTING – UK Micro-Cap

- Total number of meetings* voted – 49
- Agenda items where voted against management – 2.8%
- Percentage of votes cast differently to ISS recommendation – 11.9%

**Annual and Special (Extraordinary) General meetings*

Source: Institutional Shareholder Services

Significant votes against management recommendations

RAMAM defines significant votes against management where they fulfil one or more of the following criteria:

- We are **large shareholders (5+%)** in a company
- **Significant holding in a fund**
- **Potential material impact.**

Examples of significant votes include:

Alphabet (Date: 2nd June 2021)

Resolution: Elect Directors Frances Arnold, John Hennessey

Vote instruction: AGAINST

Rationale for voting:

- Following the tragic shootings in Christchurch New Zealand in March 2019, River & Mercantile are supporting a collaborative engagement initiative with social media companies led by the New Zealand Super Fund. This has involved our name being added to the names of institutions on whose behalf letters have been sent to Facebook, Alphabet (Google) and Twitter. The aim of the initiative is to make the social media platforms a safe place for all by taking action to prevent the live streaming and distribution of objectionable content.
- RAMAM has also supported shareholder resolutions on this issue.
- Alphabet has not been willing to meet a group of investors (R&M part of collaboration) to discuss live-streaming and dissemination of objectionable content; not answered questions put forward at the company's quarterly ESG calls. Abstain Votes for any directors up for re-election that are on the Nomination and Corporate Governance Committee, namely John Hennessey and Frances Arnold

Outcome: 1.7% and 5.3% AGAINST respectively

Implications of outcome: Alphabet to date has lagged the 3 companies mentioned, although there are signs that this is beginning to change in response to shareholder pressure. RAMAM will continue to support this collaboration with our voting. Independent shareholder views are beginning to have an impact.

Bayer (Date: 27th April 2021)

Resolution: Approve Discharge of Management Board and Supervisory Board for Fiscal Year 2020

Vote instruction: AGAINST

Rationale for voting:

- At the AGM in 2019 we did vote Against the Approval of the Management Board for Fiscal 2018, as we believed Bayer's management board misjudged the legal and reputational risks of the Monsanto acquisition. 55% of shareholders voted Against.

- Subsequently, the supervisory board resolved to reduce the size of the management board from seven to five members as of the start of 2020, with two directors departing. In addition, a new Chair of the supervisory board was appointed after the 2020 AGM, succeeding the previous Chair who was expected to serve until 2022. In this respect our voting had a positive effect in forcing changes to both the supervisory and management boards.
- The concern about the use of GM crops is ongoing and Bayer's handling of this is crucial in recovering investor confidence. Until we are satisfied Bayer is making progress on the 'controversies' surrounding the Monsanto acquisition we decided to vote against approving Discharge of both Boards again in 2021

Outcome: 9% and 7% AGAINST respectively

Implications of outcome: Following two engagement meetings with Bayer in May 2021 we believe the 'controversies' are being addressed

Citigroup (Date: 27th April 2021)

Resolution: Report on Racial Equity Audit

Vote instruction: FOR

Rationale for voting:

- RAMAM support Racial Equality - report on racial equity audit

Outcome: *unknown*

Implications of outcome: RAMAM support Racial Equality and will continue to support shareholder resolutions requesting a racial equity audit

Las Vegas Sands (Date: 13th May 2021)

Resolution: Elect Director David F. Levi

Vote instruction: WITHELD

Rationale for voting:

- Concerns related to approach to board diversity
- Board is not composed of at least 25% female directors
- RAMAM voting policy: at least one woman on board for companies under Small Cap, ISEQ 20 and AIM, and 25 percent for FTSE 250 and 100.

Outcome: *unknown*

Implications of outcome: Diversity raised at engagement meeting with Las Vegas Sands. Company is very conscious about the issue, has been always one of the most important things to them, have different initiatives in the different places they operate in. Aim to lead from the very top, appointed a new female Board director, but by no means leaves them thinking they are in any way finished with diversification.

Prosus (Date: 27th July 2021)

Resolution: Approve Remuneration Policy for Executive and Non-Executive Directors

Vote instruction: AGAINST

Rationale

- The remuneration policy includes a significant proportion of long-term incentives that are not performance-related
- A substantial portion of the LTI vests before the third anniversary and start vesting after the first anniversary of the grant; Absence of termination agreements with executives to mitigate risks of excessive termination payments

Outcome: 16.02% AGAINST

Implications of outcome: Continue to vote against Remuneration Policy until issues addressed.

Shell (Date: 18th May 2021)

Resolution: Re-elect Ben van Beurden as Director

Vote instruction: AGAINST

Rationale for voting:

- Significant risks to shareholders stemming from severe ESG controversies have been identified at the company, which reflects a failure by the board to proficiently guard against and manage material environmental, social and governance risks.
- Votes AGAINST CEO Bernardus (Ben) van Beurden are warranted because: Given that the incumbent board chair, Charles Holliday, who shoulders the greatest responsibility amongst the board members for failing to effectively supervise the management of risks to the company and its shareholders is stepping down at this year's annual meeting, CEO Bernardus (Ben) van Beurden should be held accountable for poor board and management oversight of ESG risk exposures at the firm.

Outcome: 4.73% AGAINST

Implications of outcome: We will continue to monitor Shell's progress in addressing ESG risks. Following engagement with Shell, it is clear they are taking steps to mitigate ESG risks identified.

2021 ENGAGEMENT ACTIVITY

Our engagement with companies focuses on developing and testing our investment case for buying or holding a stock and improving an understanding of the business and strategy. Separately, we hold meetings or calls with a board chairperson, and/or non-executive directors to discuss stewardship matters. During 2021, we engaged with the following **96 companies** on stewardship related issues.

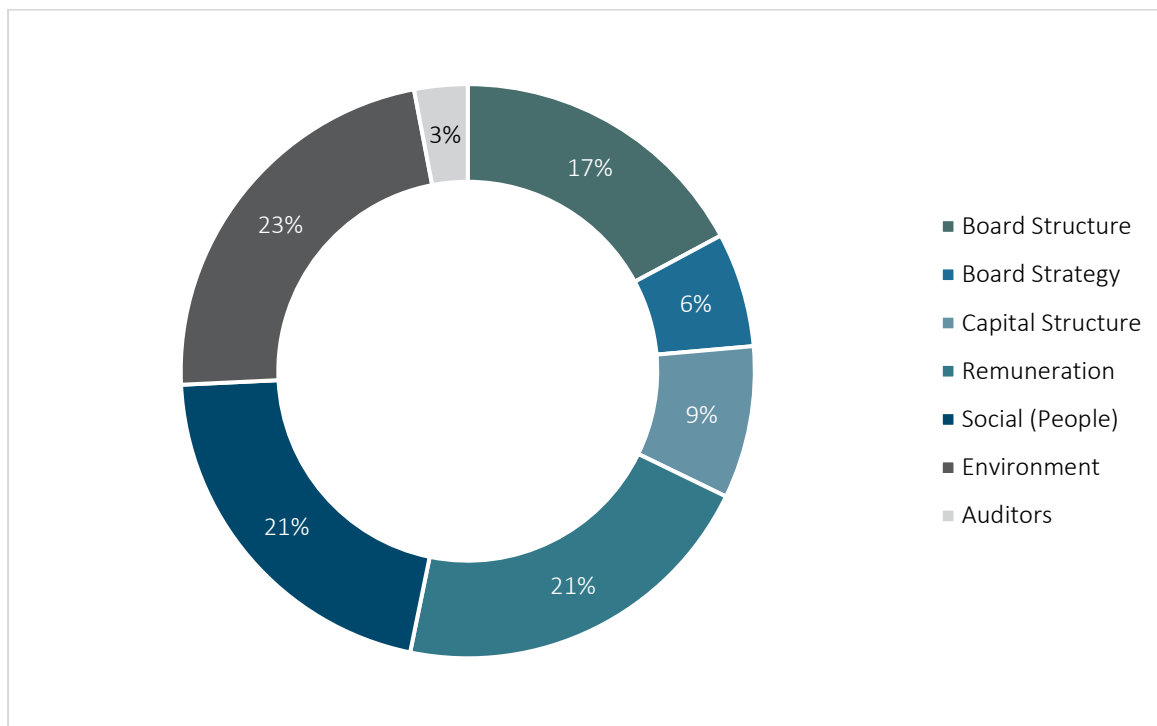
<u>COMPANY</u>	<u>COUNTRY</u>
888 Holdings	Gibraltar
AdEPT	United Kingdom
Affiliated Managers Group	USA
AGCO	USA
Alibaba	China
ANIMA	Italy
Applus Services	Spain
Bank of Kyoto	Japan
Bayer	United Kingdom
Biffa plc	United Kingdom
BOK	United Kingdom
Booking Holdings	USA
Capita	United Kingdom
Capital & Counties	United Kingdom
Capital Limited	United Kingdom
Cegedim	France
Central Asia Metals	United Kingdom
CGG	France
Charles Schwab	USA
Chemring	United Kingdom
Citigroup	USA
DFS Furniture	United Kingdom
eEnergy	United Kingdom
Flowtech Fluidpower	United Kingdom
Genuit Group	United Kingdom
GetBusy	United Kingdom
Ginko	Taiwan
Hollywood Bowl	United Kingdom
Hunting	United Kingdom
Imperial Brands	United Kingdom

Incitec Pivot	Australia
Intertrust	Netherlands
Inversiones La Construccion	Chile
Japan Post Holdings	Japan
JTC	United Kingdom
Lancashire Holdings	United Kingdom
Las Vegas Sands	USA
L-Brands (BBW)	USA
LG Chem	South Korea
Litigation Capital Management	United Kingdom
Lloyds Banking Group	United Kingdom
Maisons du Monde	France
McKesson	USA
Meitec Corp	Japan
Mind Gym	United Kingdom
Ocean Wilsons	United Kingdom
Owens Corning	USA
PearlAbyss	South Korea
Playtech	United Kingdom
Prosus	Netherlands
Raytheon Technologies	USA
Reach	United Kingdom
Renold	United Kingdom
Resideo Technologies	USA
Revolutions Bars Group	United Kingdom
Royal Dutch Shell	United Kingdom
RPS Group	United Kingdom
RWS Holdings	United Kingdom
Sabre Insurance	United Kingdom
Semen Indonesia	Indonesia
Serabi Gold	United Kingdom
Shanta Gold	United Kingdom
Sigma Capital	United Kingdom
SigmaRoc	United Kingdom
Solocal	France
Somero Enterprises	USA
South32	Australia
Southwestern Energy	USA

Swatch	Switzerland
Tadano	Japan
tinyBuild	USA
Tremor International	United Kingdom
Trisul	Brazil
ULS Technology	United Kingdom
Valid Solucoes	Brazil
Value Partners	Honk Kong
VEON	Netherlands
Verallia	France
Vicat	France
Vivo Energy	United Kingdom
Whitbread	United Kingdom
WPP	United Kingdom

Note – some companies were engaged with numerous times throughout 2021.

ISSUES DISCUSSED BY CATEGORY*



*Note: More than one issue may have been discussed with a company

Source: Institutional Shareholder Services

ISSUES DISCUSSED BY UN Sustainable Development Goals*



*Note: More than one issue may have been discussed with a company and not all engagements align to the SDGs.

Source: Institutional Shareholder Services & UN Sustainable Development Goals

Engagement Examples from 2021

Case Study of engagement on climate change - Verallia (Glass Packaging Company)

Background

As part of a meeting following the interim results, significant time was allocated to decarbonization strategies, the benefits of glass as a packaging material within the circular economy and MSCI ESG rating of B.

Main points discussed

- RAMAM discussed support for accelerating monitoring of CO2 emissions and agreement that glass, if carbon neutral, is perfect packaging material.
- Increasing of cullet is a key component – 74% of glass is recycled in the EU to improve in sustainability. However, cullet is in high demand therefore the price is increasing. Plans to optimize own plants productivity.
- Hoping that their ESG roadmap will be considered in MSCI report, to be seen in October.

Outcome/Benefits

October 2021 Capital Markets Day presentation disclosed Verallia's commitment and plan for reducing CO2 emissions – POSITIVE OUTCOME

Case Study of engagement related to AGM proposals Cegedim (Global Technology and Services Company)

Background

Following votes against the management at consecutive AGMs around several consistent agenda items regarding governance, we set up two meetings with a Managing Director to propose positive changes to board structure (independence), remuneration policies, and understand the strategic direction of travel.

Main points discussed

- Resistance from the (founder) executive chairman to retire despite being 78 yrs old and communication to R&M that he would move into a non-executive role 5 years ago.
- He is still very much involved in the business – his daughter and son are both board members, with the son mostly in charge (taking the lead on innovation, R&D and commercial activity) and set to eventually manage the business.
- Split in role between chair and CEO was proposed 2 years ago but was rejected and little expectation that this will change.
- Discussion that there is no expectation currently to increase the number of independent board members. Cegedim claim to have 3 independent board directors; R&M remain dissatisfied at overall board independence and challenge around strategy.
- Little transparency around the link between Cegedim and FCB (in which the chairman is a major shareholder) – a number of employees are currently employees of both but paid by FCB – aim to restructure employment contracts to be paid by Cegedim.

Outcome/Benefits

RAMAM have made clear its expectations regarding disclosure of the link between FCB and Cegedim – particularly the expectation that the restructure of employment contracts to be under Cegedim by year end. Further, that the next annual report will explain and simplify the relationship between FCB and Cegedim. Similarly, the RAMAM expect the performance hurdles to be disclosed. However, the lack of willingness to set out the path to succession planning and lack of board independence are material sources of frustration which also increase risk around future value creation for minority shareholders. Disinvested in some strategies as a result.

Case Study of engagement related to diversity – Somero Enterprise (global leader in equipment that automated spreading and levelling of concrete)

Background

Somero has strong Innovation credentials – with new products adding to a strong patent library – and a lean manufacturing business with a modest Environmental impact, although disclosure is weak in this area.

Main points discussed

Our primary topic of engagement has been around a lack of gender diversity, which management attributed to a challenge of working in their market niche. The company is seeking to address this (both in terms of gender and ethnic diversity) and increase board independence, though progress has been slow as management prioritised the stability of their experienced leadership team through the COVID-19 period. We have stressed the importance of demonstrating improvements in this area to both the company and their corporate broker. We have also engaged to encourage greater disclosure of Environment metrics and will continue to monitor progress against these two objectives.

Outcome/Benefits

Recently, Somero announced a new female non-executive director would be joining their Board which evidences the progress they are making on Board independence and diversity.