



RIVER AND MERCANTILE

VOTING & COMPANY ENGAGEMENT REPORT

2022 Quarter 3

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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 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 & 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.

Engagements are two-way conversations addressing a sustainability, environmental, social, governance or innovation topic. The purpose of engagement is to change behaviour and incentivise management to deliver sustainability. We believe by engaging with companies where we identify issues that could be at risk to the investors' long-term interest and potential for improvement, that this is the best process to improve management attitudes and ensuring positive behaviour within the companies in which we invest, rather than any form of screening or exclusion. We have four main goals that we aim to achieve through our engagements; 1) Disclosure of ESG metrics; 2) Inclusion of ESG KPIs in executive remuneration; 3) Companies to set Net Zero targets; 4) Increase female representation in senior management, although we address many other material topics during our engagements.

In addition to our PVT engagement activity, River and Mercantile Asset Management are involved with a number of collaborative engagement initiatives. **Collaborative engagements, in which a group of investors come together to engage in dialogue with companies on ESG issues, can help effectively communicate concerns to companies by speaking in a unified voice and develop a clear plan for addressing these and we believe this enhances our impact on the companies we invest in.** Some of the bodies that we collaborate with include **Climate Action 100+** through the Institutional investors Group on Climate Change (IIGCC) and the UN Principle for Responsible Investment (UNPRI), **Sustainalytics Global Standards Engagement, ShareAction and FAIRR initiative.**

In this Voting and Engagement Report we outline our voting and engagement activity during Quarter 3 2022 across all equity strategies. 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 6 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, European and Global equity strategies.

SUMMARY

Voting Activity 2022 Q3

Total number of meetings voted – **153**

Agenda items where voted against management recommendations – **11%**

Percentage of votes cast differently to ISS recommendation – **9%**

Number of meetings with at least one vote against management recommendation – **5%**

Engagement Activity 2022 Q3

PVT Engagements – **40**

Collaborative Engagements – **2**

Total Engagements – 42

Bulk Campaigns - **2**

VOTING ACTIVITY

In Quarter 3 2022 we voted at **153** company general meetings, voting against management recommendations on **11%** of the resolutions, with at least one vote not supporting management recommendations at **5%** of the meetings. We voted on **17** shareholder resolutions, **65%** 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 [here](#).

Figure 1 - Meetings Voted (by Region)

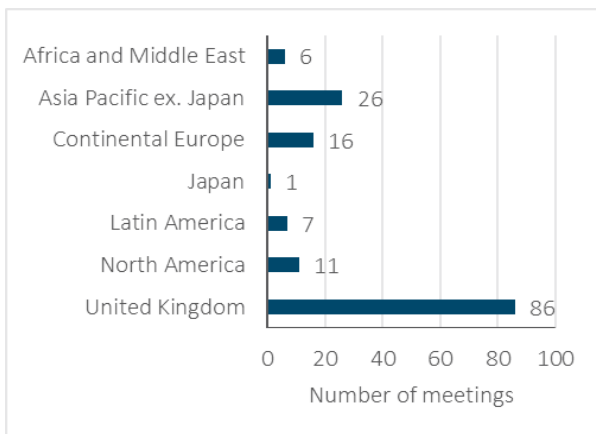


Figure 3 - Eligible Votes Exercised that were AGAINST Management (by Region)

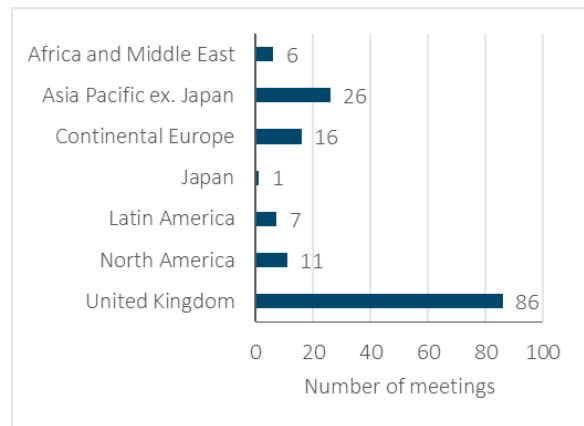


Figure 2 - Eligible Votes Exercised that were AGAINST management (by Resolution Category)

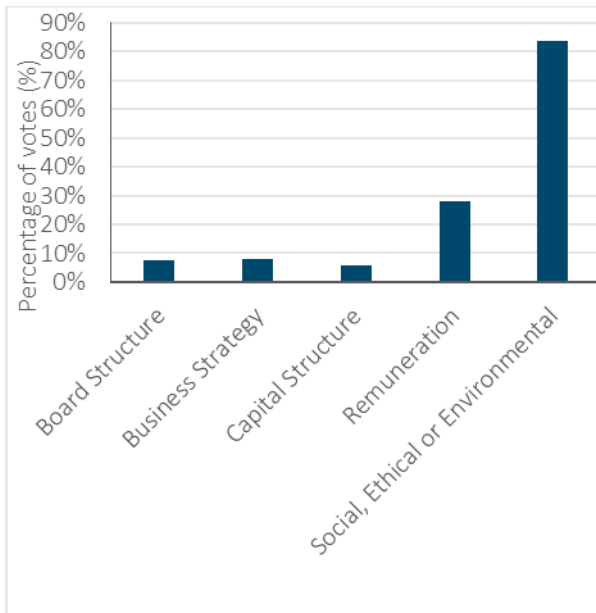
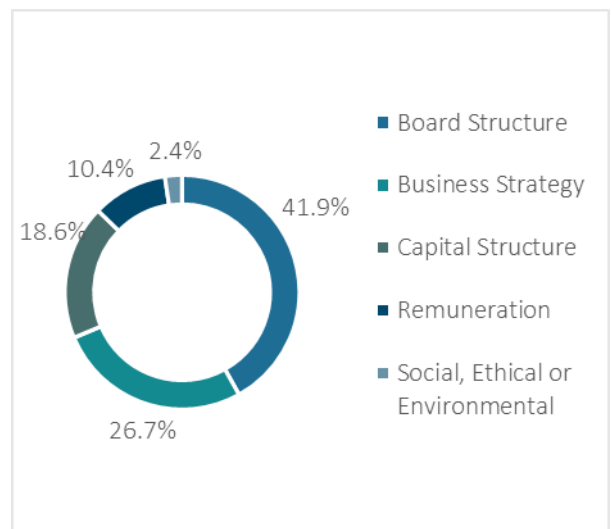


Figure 4 - Eligible Votes Exercised by Resolution Category



Source: River and Mercantile, ISS

FUND VOTING ACTIVITY

Below is a summary of our voting activity in 2022 Q3 by fund.

UK Equity Funds

UK Dynamic

Total number of meetings* voted – **13**

Agenda items where voted against management – **4%**

Percentage of votes cast differently to ISS recommendation – **3%**

UK Alpha

Total number of meetings* voted – **61**

Agenda items where voted against management – **5%**

Percentage of votes cast differently to ISS recommendation – **6%**

UK Income

Total number of meetings* voted – **15**

Agenda items where voted against management – **5%**

Percentage of votes cast differently to ISS recommendation – **5%**

UK Recovery

Total number of meetings* voted – **70**

Agenda items where voted against management – **7%**

Percentage of votes cast differently to ISS recommendation – **7%**

UK Listed Smaller Companies

Total number of meetings* voted – **22**

Agenda items where voted against management – **3%**

Percentage of votes cast differently to ISS recommendation – **7%**

European Equity Fund

European Change for Better

Total number of meetings* voted – **1**

Agenda items where voted against management – **N/A**

Percentage of votes cast differently to ISS recommendation – **N/A**

European Fund

Total number of meetings* voted – **1**

Agenda items where voted against management – **0%**

Percentage of votes cast differently to ISS recommendation – **0%**

Global Equity Funds

Global Sustainable Opportunities

Total number of meetings* voted – **0**

Agenda items where voted against management – **N/A**

Percentage of votes cast differently to ISS recommendation – **N/A**

Global Alpha Fund

Total number of meetings* voted – **15**

Agenda items where voted against management – **18%**

Percentage of votes cast differently to ISS recommendation – **12%**

Global Recovery Fund

Total number of meetings* voted – **50**

Agenda items where voted against management – **21%**

Percentage of votes cast differently to ISS recommendation – **12%**

River and Mercantile UK Micro-Cap Investment Company Limited

UK Micro-Cap

Total number of meetings* voted – **13**

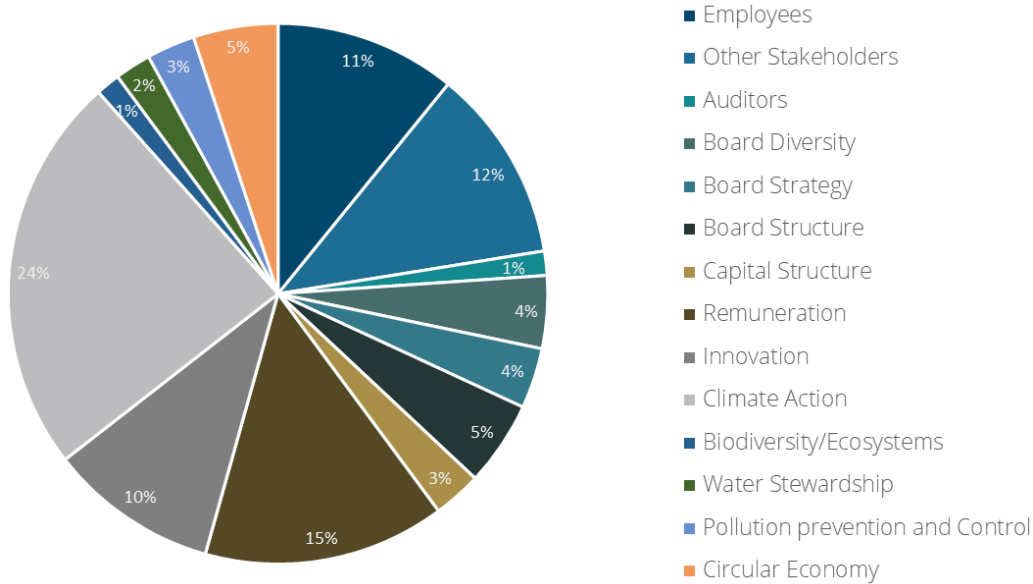
Agenda items where voted against management – **4%**

Percentage of votes cast differently to ISS recommendation – **9%**

PVT ENGAGEMENT ACTIVITY

Our engagement with companies focuses on developing and testing our investment case for buying or holding a stock, improving an understanding of the business and strategy, and/or raising sustainability issues. During Quarter 3 2022, we engaged with the following **40** companies on stewardship related issues.

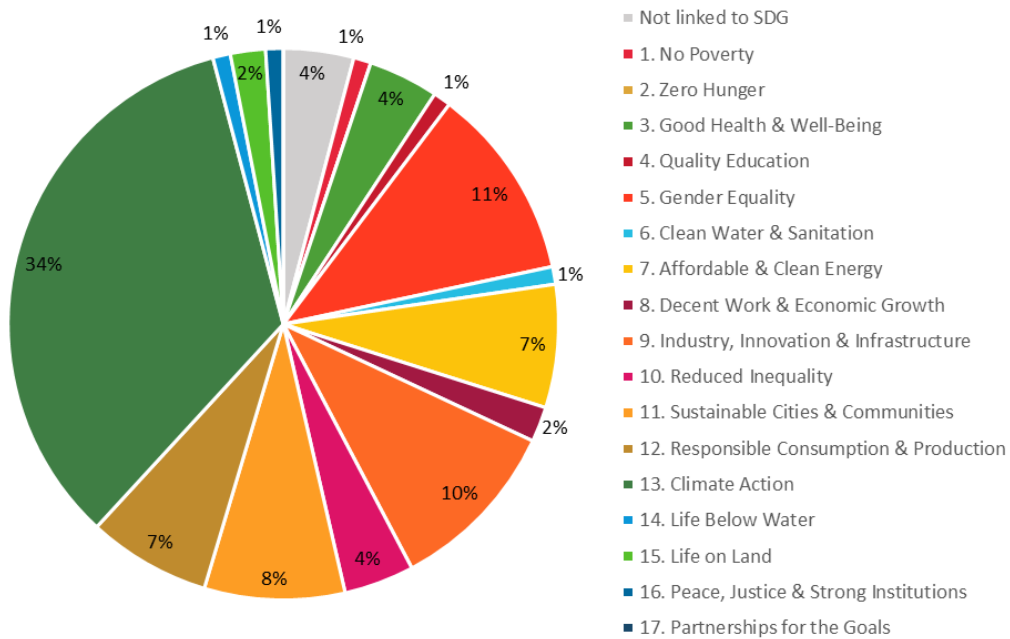
Figure 5 - Issue Discussed by Category



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

Source: River and Mercantile

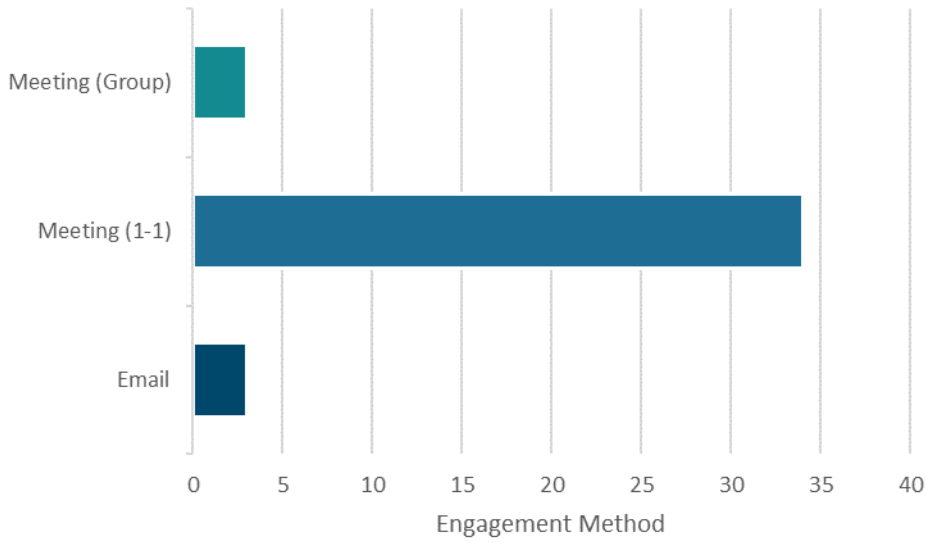
Figure 6 - Issue Discussed by UN Sustainable Development Goal



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

Source: River and Mercantile, UN Sustainable Development Goals

Figure 7 - Engagement Method



Engagement Milestones

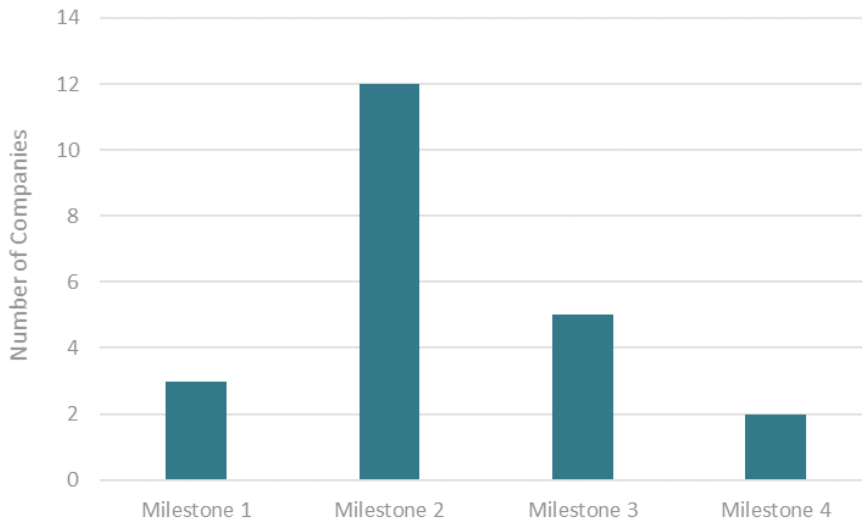
Engagement success is ultimately reflected through the S-PVT ratings which encapsulate the sustainability risk and opportunities of a company. When a company demonstrates it is making progress and/or addressing issues raised through engagements, then this is typically reflected in an upgrade in the S-PVT score to S2 and S1.

We monitor the progress of targeted engagements in a more granular manner by tracking engagement milestones as set out below:

- Milestone 1 – Engagement identified
- Milestone 2 – Engagement dialogue ongoing, company open/commits to addressing issues
- Milestone 3 - Company demonstrates progress made to address issues
- Milestone 4 – Issues resolved

This was the first quarter we introduced this process.

Figure 8 - Count of Companies at each Milestone



Companies (PVT) Engaged with During the Quarter

Soft Engagements

Targeted Engagements

<u>Company</u>	<u>Country</u>	<u>Engaged Party</u>	<u>Engagement Method</u>	<u>E/S/G</u>
3M	USA	IR & Sustainability Team	Meeting (1-1)	E,S
AGCO	USA	IR & Sustainability Team	Meeting (1-1)	E,G
Argentex	UK	Management	Meeting (1-1)	E,S
Baker Hughes	USA	IR	Meeting (1-1)	E,G
Begbies Traynor Group	UK	Company Secretary	Meeting (1-1)	G
Charles Schwab	USA	IR	Meeting (1-1)	E,S,G
DBS	Singapore	IR	Meeting (1-1)	G
Dowa Holdings	Japan	IR & Sustainability Team	Meeting (1-1)	E,S,G
Draftkings	USA	IR	Meeting (1-1)	E,S,G
ENI	Italy	IR	Meeting (1-1)	E,S,G
Entain	UK	IR & Sustainability Team	Meeting (1-1)	E,S,G
Harley Davidson	USA	IR	Meeting (1-1)	G
Hayward Holdings	USA	IR	Meeting (1-1)	E,S,G
Henry Schein	USA	IR	Meeting (1-1)	G
LendInvest	UK	CEO	Email	S,G
Lloyds Bank	UK	IR	Meeting (1-1)	E,S,G
Marathon Oil	USA	IR	Meeting (1-1)	E,S,G
Mondi	UK	Management	Meeting (1-1)	E,S
OPG	UK	Management	Meeting (1-1)	E,G
Owens Corning	USA	IR & Sustainability Team	Meeting (1-1)	E,S,G
Pan African Resources	UK	Management	Meeting (1-1)	E
Savannah Energy	UK	IR	Email	E,S,G
Shell	UK	Management	Meeting (Group)	E,G
SigmaRoc	UK	Management	Meeting (1-1)	E,G
SIT	Italy	Sustainability Team	Meeting (1-1)	E,S,G
SOL SpA	Italy	Board & IR	Meeting (1-1)	E,G
Sony	Japan	IR & Management	Meeting (Group)	G
South32	Australia	IR	Meeting (1-1)	E,S
Southwestern Energy	USA	IR & CFO	Meeting (1-1)	E
Sprouts	USA	IR	Meeting (1-1)	E,G
Starbucks	USA	IR	Email	S
Tadano	Japan	Management	Meeting (1-1)	E,G
Topcon	Japan	IR	Meeting (1-1)	E,G
TotalEnergies	France	IR	Meeting (1-1)	E,S,G
Trinity Exploration	UK	Board & Management	Meeting (1-1)	E,S,G
UPM-KYMMENE	Finland	Sustainability Team	Meeting (1-1)	E,S,G
Verallia	France	Management	Meeting (1-1)	E,S
Viatrix	USA	IR & Sustainability Team	Meeting (1-1)	E,S,G
Waters Corp	USA	IR	Meeting (1-1)	E,S,G
Waters Corp	USA	Management	Meeting (Group)	E,S

BULK ENGAGEMENT ACTIVITY

S3 companies with lacking sustainability information

We also commenced engagement with companies we had recently rated S-PVT tier 3 (S3) through our own proprietary ratings (more information available on our website here) that we felt had a **lack of sustainability disclosure on material sustainability risks and opportunities** including policies, processes and targets about the company's sustainability credentials and the impact on society and environment. Whilst we do make use of third-party ESG rating agencies and data providers, such as Sustainalytics and MSCI, **we prefer to base our analysis on companies' own sustainability publications**. In these letters, we linked several resources that corporates can use to support transparent disclosure. We sent **11** letters to companies we invest in – two of which confirmed they were reviewing their sustainability reporting and aware that they need to make improvements, another two we have had follow up engagement meetings to discuss what best practice sustainability reporting looks like and understand the companies' journey to improve such disclosures.

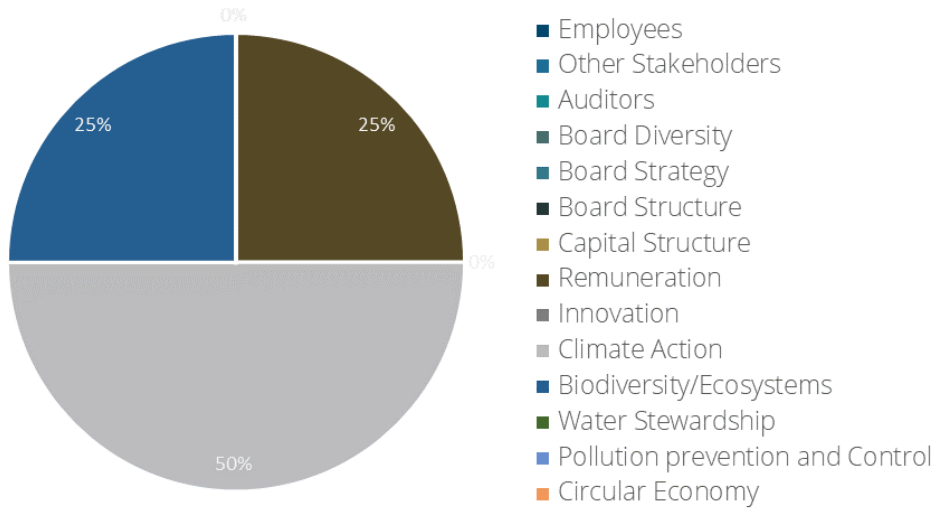
PVT Bulk Engagement – Move to Hong Kong Listing

In Q2 2022 we started a bulk engagement to propose **voluntarily converting secondary issue listing on the Hong Kong Exchange to a primary listing** in place of the US listed ADR's current primary status believing this will enhance liquidity in the Hong Kong line of stock, including becoming eligible for Stock Connect, and provide better protection for equity holders from US regulatory risks. In Q2 we sent these letters to Alibaba Group (who recently receive approval for primary listing in Hong Kong), Baidu, JD.com and Trip.com. In Q3 we continued this engagement by sending two more letters to Autohome and GDS, both of whom are considering moving their primary listing to Hong Kong.

COLLABORATIVE ENGAGEMENT ACTIVITY

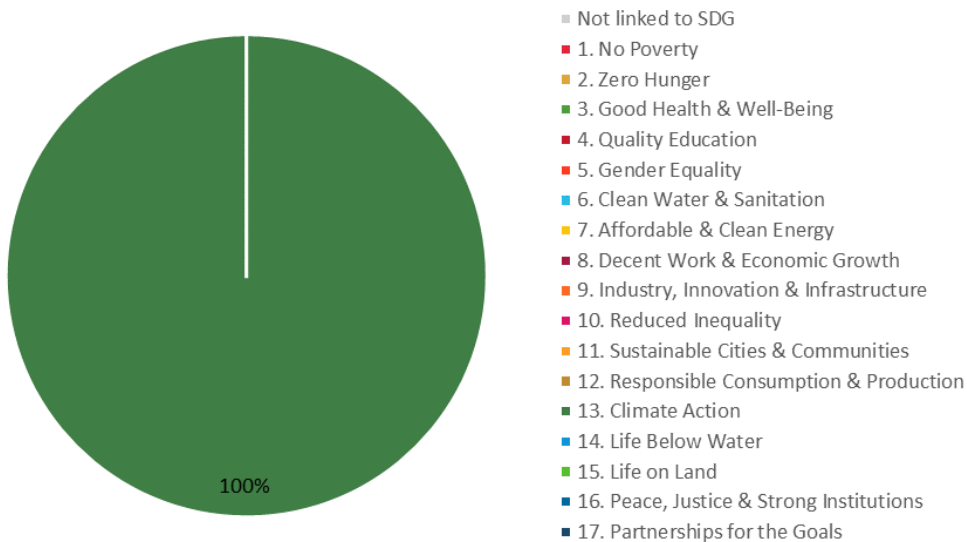
Below is a summary of our collaborative engagement activity in 2022 Q3 related to the PVT funds– we participated in 2 collaborative engagements¹.

Figure 9 - Issue Discussed by PIE



Source: River and Mercantile

Figure 10 - Issue Discussed by UN SDG



Source: River and Mercantile, UN Sustainable Development Goals

¹ Note: multiple engagements may have been held with the same company

Companies (Collaboratively) Engaged with During the Quarter

Companies relevant to the PVT funds.

<u>Company</u>	<u>Country</u>	<u>Collaboration Initiative</u>	<u>Engaged Party</u>	<u>Engagement Method</u>
Danone	France	CA100+	Sustainability Team	Meeting
Walmart	US	CA100+	IR + Sustainability Team	Meeting

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