Slater Investments Limited

2022 Stewardship Code Report

CONTENTS PAGE

INTRODUCTION

Slater Investments remains dedicated to its commitment to be a responsible investor and company, making consistent strides over the year in improving our environmental, social and governance ("ESG") processes and controls and engagement and voting practices that underpin our core stewardship and governance principles. Stewardship and Governance have always been at the core of our values, and we continue to maintain the highest standards in fulfilling our obligations as stewards of our clients' assets.

Our investment process is founded on investing in well-managed companies with sound corporate governance and solid management teams. Governance is the bedrock ESG pillar which underpins a company's culture. Strong governance practices not only align shareholder and management interests, but better positions companies to address environmental and social issues. Companies that uphold principles of transparency and integrity will be demonstrably better equipped to serve their stakeholders, which better protects investors' interests and maintains investor confidence.

We are proud to continue to be a company of action and have a firm-wide commitment to be responsible investors and to work with and for our clients to do what is right for them, society and the environment. Responsibility is embedded across all levels of the firm, in our purpose, people and processes and we recognise the importance of evaluating and enhancing our operations. Understanding ESG factors, both the risks and the opportunities, helps us to be better investors, delivering the investment outcomes our clients expect and making informed decisions on society and the environment over the long term.

We were delighted to have been in the first cohort of successful signatories to the Financial Reporting Council's 2020 UK Stewardship Code ("the Code") in September 2021. The Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. We take pride in the progress we have made in 2022 and remain steadfast in our commitment to driving positive change in alignment with our approach to stewardship as we strive to stay at the forefront of best practices.

We continue to evolve our stewardship and governance as a Company and key areas of significance during 2022 were:

- The continued integration and evolution of ESG into our investment process. This necessitates the continual review of the developing regulation and the available data from our investee companies.

- We were pleased to announce during the course of 2022, all of the Slater Investments UCITs Funds ("Funds") became classified as Article 8 products under the Sustainable Finance Disclosure Regulation ("SFDR"). We will begin reporting in accordance with the requirements of SFDR during 2023, ensuring greater transparency for our current and future clients.

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- Slater Investments is a strong supporter of the objectives and goals of the Paris Agreement in limiting global warming to well below 2 degrees Celsius. As responsible stewards of our clients' assets, we expect investee companies' business plans to reflect the long-term climate-related risks and opportunities they face. We now run climate scenario analysis which includes a range of 'Paris aligned' scenarios to assess the financial impact of Paris-aligned pathways on our products.

- During 2022, we have reduced Slater Investments's Scope 2 emissions and have committed to be carbon neutral by 2025.

- The company has begun assessing and reporting in line with the Task Force on Climate-Related Financial Disclosure. This builds on work done for the move to SFDR article 8 and European ESG Template ("EET") and Carbon Emissions Template ("CET") reporting.

- Increased, granular testing and reviews as part of the annual Value Assessment Report 2022 thereby improving our quality assurance to our clients.

This Stewardship Code Report for 2022 constitutes our third statement of compliance with the Code and details our approach on a principle-by-principle basis to stewardship and responsible ownership within our investment processes.

PURPOSE AND GOVERNANCE

PRINCIPLE 1
Purpose, Strategy and Culture

Purpose

Slater Investments is an active investment management company specialising primarily in providing UK equity products, managing £1.7bn of client assets as at 31 December 2022. Established in 1994 by Mark Slater and Ralph Baber, the company is wholly owned by its directors, staff and former staff. This maintains the integrity of the business and directly aligns the interests of Company staff with those of its clients.

Our purpose is to add material long-term value for our clients by providing a framework for their investment objectives, be that sustainable capital growth, income or a combination of the two, through well managed investment products backed by strong client service. Responsibly managing our clients' investments involves increasing our focus on integrating ESG factors alongside financial factors into our investment process which we have continued to do throughout 2022.

We also aim to support investee companies to achieve their financial, social, governance, and sustainability goals. We believe responsible investing is based on creating shared value which generates greater innovation and growth for both companies and society at large. Our engagement activities enable our clients to be more active owners of their assets though our dialogue with companies on ESG related issues.

Our core values focus on three key pillars:

- Serving Clients – We exist to serve the interests of our clients. This means a focus on delivering an outstanding service and giving the upmost care and consideration to our clients' interests. This also means ensuring that we communicate regularly and clearly with our investors.
- People – Above all, Slater Investments is a collective of people, working towards a common goal of creating long-term value for our clients. Teamwork and collaboration are critical to achieving that goal. Professionalism, mutual respect, diversity in all forms, and healthy debate support these efforts.
- Stewardship – As long-term investors we are committed to responsibly creating lasting value for our clients. This principle transcends though many aspects of our business which will be expanded on through this report.

Strategy

The Company is a long-term investor, and ESG-related risks and opportunities are considered over the short, medium, and long-term periods across our portfolios. We have assessed the resilience of our strategy under a range of scenarios. The principal risks and opportunities for our business are related to the investment strategy we employ on behalf of our clients' portfolios.

We can mitigate these risks and capture opportunities most effectively through stock selection and portfolio construction and by active engagement with the companies in which we invest. The incorporation of ESG analysis into our investment process is not indicative of a change in our process, nor of style shift. Instead, our investment philosophy remains the same:

- we believe that the stock market regularly misprices shares, which creates opportunity;
- we believe that most sensible criteria work if consistently applied, with our combination of criteria being optimal.

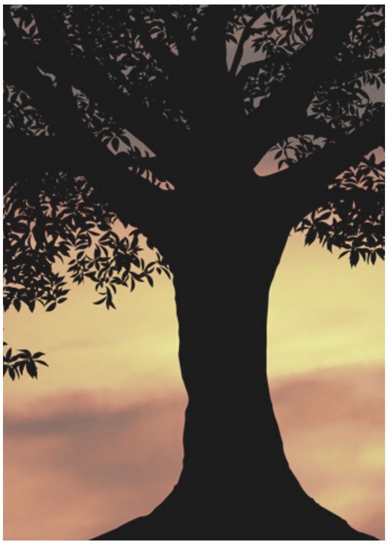
Our process:

- we look to build a margin of safety;
- we are patient investors adopting a long-term approach;
- we regularly screen the market looking for companies that have sustainable above average growth; and
- we integrate our in-house ESG philosophy and standards into the making of investment decisions.

Slater Investments regards stewardship as integral to our investment process and our purpose is connected to our commitment to be a responsible investor. We define responsible investment as the integration of ESG factors into our investment processes and ownership practices. Embedding responsible investing principles into our investment process leads to better informed investment decisions. Over time, the inclusion of ESG factors into Slater Investments's investment process has the potential to have a positive impact on all our products.

Our ESG Policy [link] describes how we integrate environmental, social and governance factors into our investment decision-making processes. Fundamentally we believe that Environmental, Social and Governance are important factors in measuring the sustainability and impact of an investment in a company and have significant financial relevance. Incorporating these factors into investment analysis and portfolio construction can help mitigate risk, leading to superior long-term performance.

Implementing responsible investment initiatives requires resources and expertise. The Slater Investments team, which is outlined in greater detail in Principle 2, has been strategically built over many years to implement the Company's philosophy and deeply embed this philosophy into our culture. We develop engagement strategies specific to each investee company based on its individual circumstances. Our understanding is informed by a range of research. We are committed to providing material long-term value which enriches our clients, society and the environment over the long term.



The ESG Committee at Slater Investments works closely with the Investment Committee to ensure ESG-based investment analysis, alongside active and engaged stewardship, is fully embedded in the investment process and subsequent ongoing monitoring. We have worked to provide the investment team with the information and support it needs to integrate ESG into the investment process, ensuring that the investment process is enhanced and complemented by this work. During the year we have achieved the following:

- enhanced our ESG data and analytics processes;
- increased training of our staff in sustainability and governance;
- increased our disclosure as to how we integrate sustainability into our products (and our company);
- increased our reporting for the UCITs funds on their ESG characteristics.

Further detail in respect of this process is outlined in Principle 7 of this Report.

Our strong corporate governance practices and management of environmental and social risks are important drivers to the creation of long-term shareholder value. We aim to promote and exercise effective stewardship among the companies we own and to engage with them on the actual or potential adverse impacts of their business activities relating to ESG matters. Voting and engagement enables us to embed our purpose and values in the way we drive change within our investee companies. Our Voting Policy and Engagement Policy demonstrate our approach to ownership and governance of the companies in which we invest.

Our strategy includes acting responsibly, not only in terms of how we invest but also how we manage our business more broadly, for example, our own environmental performance and our approach to the people who work for us.

As a company, we are conscious of the potential impact on the environment, but given the nature of our business, our impact is limited. Nevertheless, we are cognizant of our environmental impact and are committed to playing our part in protecting the environment.

We endeavour to embed sustainable practices throughout every aspect of our business. Over the past year, we have focused our efforts on deepening our understanding of our environmental impact and that of the suppliers we use.

During 2022 we developed a Sustainability Roadmap with, amongst other key action points, the objective of initially lowering our emissions as much as possible without using carbon offsets. To that end, we engaged with Heart of the City, a City of London-based organisation designed to help small to medium-sized businesses precisely formulate a plan to impact the planet positively. We are also ongoing members of the Investment Association's ("IA") Net-Zero Forum, which enables peer-to-peer knowledge sharing and provides a platform for all IA members to raise questions and find solutions in their journey to net-zero.

The Company has begun assessing and reporting in line with the Task Force on Climate-Related Financial Disclosures ("TCFD") recommendations. Below, we will report how climate change is embedded across the four TCFD pillars of governance, strategy, risk management, and metrics and targets.

In 2021 we began reporting on our own Scope 1 and Scope 2 emissions and since 2019 we have reduced our Scope 1 and Scope 2 emissions by 67%, and have committed to be carbon neutral by 2025.

This year the Company has measured itself against the United Nations Sustainable Development Goals ("SDGs") which are a globally agreed framework for achieving a better and more sustainable future and are the most relevant external primary reference framework for the Company to measure itself against.

1) No Poverty

- Slater Investments has reviewed all staff salaries and identified that all staff are paid above the UK Living Wage and London Living Wage.
- Slater Investments assisted the junior staff by making 'cost of living' payments in December 2022, January 2023 and February 2023.

3) Good Health and Wellbeing

- Slater Investments offers all staff access to private health care insurance, which, in addition to core health care services, offers access to therapy, mental health coverage, video consultations with the provider's GP service, reduced subscriptions to gym membership, free subscriptions (currently) to Headspace (mindfulness app) and FiiT (fitness app).

4) Quality Equality

- Slater Investments offers all staff relevant training and the ability to take exams at any point to further their careers.

5) Gender Equality

- Slater Investments is committed to its recruitment, promotion, and other selection processes to ensure equal opportunities for all.
- Slater Investments actively seeks and encourages applications from women, disabled and Black, Asian and Minority Ethnic (BAME) candidates, as we recognise that these groups are underrepresented in our organisation. We welcome and will consider all applications regardless of age, disability, gender reassignment, marriage, pregnancy, maternity, race or nationality, religion or belief, sex and sexual orientation (and any other status protected by applicable law).

8) Decent Work and Economic Growth

- Slater Investments recognises that its staff is critical to the business's success, and ensuring we have an engaged, skilled, and motivated workforce is considered a critical criterion for our strategy's continued successful delivery.

12) Responsible Consumption and Production

- Through monitoring, Slater Investments aims to ensure our suppliers have and abide by adequate anti-bribery and anti-slavery policies. We expect the same of our investee companies.

13) Climate Action

- Slater Investments encourages and works with all investee companies to aid them in becoming more sustainable and working towards net-zero targets.
- We have worked on implementing our own Sustainability Roadmap to reduce our emissions.

16) Peace, Justice, and Strong Institutions

- Fostering strong corporate governance practices for portfolio companies, via engagement, voting and other channels, continues to be a mainstay of our investment process.

We will continue to monitor and measure against the SDGs during 2023.

Culture

'Culture' is defined by the FCA as "the typical, habitual behaviours and mindsets that characterise a particular organisation." Or more colloquially "the way that we act, speak and make decisions without thinking consciously about it."

Slater Investments's culture shapes how we aim to work in a sustainable, responsible, and constructive way to meet our objective of actively and responsibly managing our clients' investments and providing strong client service.

Our core values and culture are built around strong governance. The Company has remained purposefully streamlined. Minimising corporate complexity where possible maintains a simpler organisational structure that cuts out excessive bureaucracy and allows greater focus on what matters. This structure helps foster a culture of focus, responsibility, purpose, and growth, where everyone's contribution is valued, and the lines of communication from end to end of the business are open and short. Embedded in our culture is the importance of comprehensive training, and fostering an environment where staff are encouraged to learn and grow. This structure also means the Company can quickly disseminate, action and train on important developments as they happen. Information dissemination in the Company flows through both formal and informal channels, including discussions, meetings, and webinars. The Company is small and close-knit which ensures there is a constant flow of informal feedback.

All our staff commit to a code of ethical and professional conduct which means they are expected to conduct themselves with integrity and honesty, in an open and transparent manner that supports the Company's core values. Each member of staff has a responsibility to act in a way that upholds our core values through their day-to-day activities which are assessed annually as part of their performance review.

Slater Investments aims to foster a supportive working environment in which our staff feel engaged, motivated, and valued for their contributions. The Company recognises that its staff is its biggest asset and is proud of the standard and calibre of its workforce which are integral to the success of the Company.

The investment track record of Slater Investments has been forged by a team that has worked together for many years. To that end, the Company places great importance on attracting and retaining high-quality staff and is pleased that these efforts are reflected in the number of staff that choose to stay at the company, with the average number of years employed for current staff being greater than five years across the business as at the end of 2022.

The Company actively encourages and provides permanent staff, both full and part-time, the opportunity for career development through internal promotion and access to external training and development.

The combination of our purpose, strategy and culture enables us to provide effective stewardship and work in our clients' best interests which we shall outline further throughout this report.

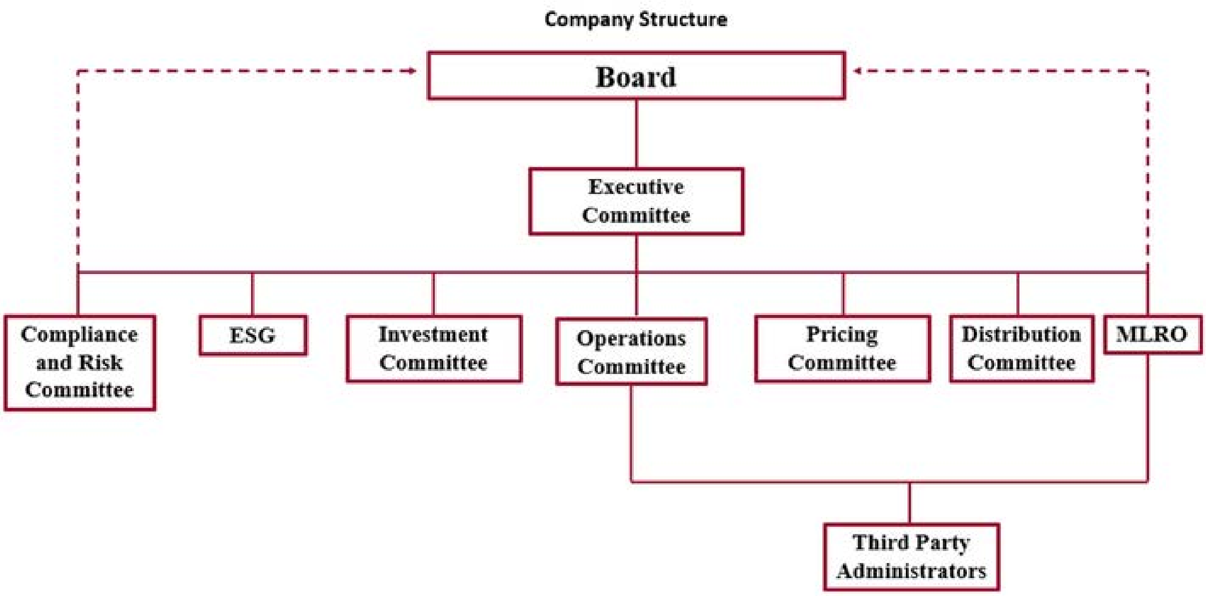
PRINCIPLE 2
Governance, Resources and Incentives

Slater Investments's governance structure and processes ensure that its approach to ESG integration and active ownership is embedded throughout the business. It has a very simple and effective reporting structure which enables effective oversight, keeps senior management involved and informed but also allows change to be made relatively quickly and efficiently as and when required. The reporting structure, together with reporting lines, are set out diagrammatically in the organisation chart below.

The Board of Directors has overall oversight and final accountability for effective stewardship within Slater Investments. Implementation of stewardship and ESG into the investment process is shared across different committees. The Committees include members who have varying levels of seniority and areas of expertise which Slater Investments believes to be effective as it enables a diverse range of insights but also facilitates collaboration.

All employees of Slater Investments are aware of their role in ensuring ESG matters are implemented throughout the company. Although ESG issues have been addressed in our long-established investment process for many years, the Board of Slater Investments recognised the importance of the growth of interest in ESG-related matters, and formally established an ESG Committee in 2019.

Established in 2019, there are 4 full-time and 1 part-time members of the Committee which draws from a wide range of skills and backgrounds. The Committee meets weekly and is Chaired by Ralph Baber, Chief Operating Officer. It reports to the Investment Committee and Compliance and Risk Committee. Slater Investments's clients benefit from the extensive and broad experience provided by a team, some of whom have worked together for over 25 years.



Ralph co-founded Slater Investments along with Mark Slater in 1994 and is Chief Operating Officer. He is chair of the Compliance and Risk Committee and sits on both the Executive Committee ("ExCo") and the Slater Investments Board. Ralph is a qualified Chartered Accountant and member of the Chartered Institute for Securities & Investments. He has served on several regulatory panels including the SFA Appeals Tribunal. He has a wealth of experience having had roles through his career ranging from Finance Director to Chief Executive as well as having held several Non-Executive Directorships.

Liz Partenza is Chief Risk Officer and serves on the Compliance and Risk, Operations and ESG Committees. Liz has a BA in International Studies and English from Fairfield University and a MSc in Finance from Johns Hopkins University. She previously worked as a client relationship manager with a wealth management advisor in the US. Liz earned the Certified Financial Planner® designation in 2009. She holds the CFA designation, the Certificate in Investment Performance Measurement ("CIPM") designation and the Investment Management Certificate with the CFA Society UK. Liz joined Slater Investments in February 2010.

Kathryn Davenport is a qualified Solicitor and Head of Governance and Stewardship. She has been Chair and Non-Executive Director of AIM Listed companies, together with the Chair and Trustee of three defined benefit pension funds.

From her time in private practice and whilst working in-house as General Counsel and Company Secretary she has extensive experience in corporate governance and stewardship (advising/updating company boards from the Cadbury Report onwards), the Takeover Code, and M&A transactions.

Ugo Eze joined Slater Investments in August 2021 after graduating from the University of Exeter with a BSc in Mathematics and an MSc in Quantitative Finance from CASS Business School. At the University of Exeter, Ugo specialised in Statistics and Statistical Modelling, while also taking modules on Mathematics of Climate Change and Mathematical Biology and Ecology. Ugo is lead researcher in the ESG Team.

Matthew Parkes joined Slater Investments in December 2020 having graduated with a BA from the University of Exeter where he studied Politics, Philosophy and Economics. Originally starting in the Operations Team, Matthew has recently moved to the ESG Committee and focuses on the implementation of the Company's voting policy, engagement, and research.

Whilst the ESG Committee is predominantly based in the UK, during 2022 it was possible for a team member based in the US to meet a potential candidate who was also based in the US regarding a board position at one of our investee companies. Having resource in the US also assisted in regulatory issues experienced by increasing our holding in a company which had regulated subsidiaries in the US.

Upskilling has been a more beneficial approach for both Slater Investments and its clients than having to rely on outsourcing certain functions. The team has been resourced carefully, from within and externally, to pull in the skills and experience required to balance the varied responsibilities of the department. Much of this Committee has been drawn from other areas of the business giving it the business knowledge and network which is so important in ensuring the whole company can be kept informed and updated without unnecessary delay.

The team has experience ranging from financial services law, corporate governance, quantitative finance, client relations, audit, Non-Executive Directorship ("NED") roles, with a number of qualifications between the team ranging from the Chartered Financial Analyst (CFA), Investment Operations Certificate (IOC), Investment Management Certificate (IMC), Certificate in Investment Performance Measurement (CIPM) and Solicitor. Collectively the team has broad skills and experience which suit them well to managing the multifaceted nature of stewardship. The committee is 40% female, and there is a continued push to increase diversity in all forms throughout the wider company.

We continue to monitor the availability of external training and concluded in 2022, similar to 2021, that the work performed by the Committee still outpaces external exam material. Therefore, the decision was made again not to impose specific ESG qualification requirements at this time. However, it is a prerequisite for all members of the ESG Committee to keep up to date on the everchanging regulatory environment. This is supported by comprehensive in-house training, as well as direction to, and time allowed to focus on, both internal and external sources of knowledge and learning.

All members of the ESG Committee undertake continued professional development and are free to choose to do so through external ESG related exam material. The ESG Committee has also taken part in FCA Consultations in the early stages of the consultation process which whilst not training has ensured that forthcoming policy changes and regulation are understood from an early stage and any potential deficiencies in knowledge or skill sets can be put in place ahead of implementation of any such policies.

The ESG Committee has also presented to the Investment Committee during 2022 on, amongst other topics, Sustainable Finance Disclosure Regulation and the proposed new FCA Sustainability Disclosure Regulations as well as to further empower the Investment Committee to consider ESG risks and opportunities in their decision-making processes. They also presented to the Distribution Team on recent investment trends and updates being made to the Slater Investment Funds to further enhance the understanding of responsible investing across the business.

The ESG Committee reports to the Investment Committee and works closely with the Compliance and Risk Committee to ensure stewardship and ESG matters are integrated into our wider investment process. The Committee's role is not to screen out companies, but to identify any material ESG risks and opportunities that exist and consider whether there is a pathway to deal with any identified risks. The ESG Committee also regularly engages with investee companies' executives, dealing with remuneration, governance and assisting companies in developing their ESG disclosure processes.

The single largest problem facing quantitative ESG ratings is the unavailability of accurate data. We have dedicated additional resource to both procuring third-party data and assisting in laying the foundations for better and more accurate data collection going forward. This has been achieved by working with both third-party ESG ratings providers and the investee companies themselves.

Part of our investment universe is small to mid-market capitalisation companies where the availability of ESG data is improving but still limited. We have helped ESG ratings providers understand the nuances of collecting this information as we have previously reported. Alongside this, we have assisted the companies we own in understanding the best practices and mediums for ESG data disclosure. It is a great credit to our efforts that the scoring by ESG ratings providers of our underlying investee companies has improved. At the end of 2022, 75.6% portfolio companies held a rating from our ESG rating provider.

In 2022, considerable work has been put into further developing the systems, processes, and analysis that the ESG Committee uses and performs. The ESG Committee's primary analysis is used to form an ESG rating, drawing on a wide range of sources, including the investee company's legal disclosure to shareholders, publications from governmental and non-governmental organisations and our own voting analysis. We use Refinitiv as our primary ESG data provider alongside drawing from our expert network of sources and services.

During 2022, we started building a database to record engagement activities and outcomes. Our Investment Managers and analysts record and document all companies they meet and provide details on the quality of the business, quality of management, whether they engaged on any ESG issues, and detail of any discussion which would be classified as an engagement.

Diversity, Equality and Inclusion

The Company has a diversity, equality, and inclusion policy. Slater Investments aims to foster a supportive working environment in which our staff feel engaged, motivated, and equally valued for their contributions. The Company strives to create a culture where everyone feels part of a unified team. The Company implemented a hybrid working model before the recent Covid Pandemic to ensure that some of our employees with young children could return to work by working remotely from home as it was vital to the Company to not only empower these employees to return to work but also the Company benefited from not losing their skills and experience fostered over many years of working with the Company.

The unintended positive consequence of this working model meant that we already had a fully tested infrastructure in place when the UK was forced to work from home during the Covid pandemic. Technology has developed since then and the Company has extended this hybrid model to more staff meaning that there is greater work-life balance.

During 2022, recognising that the asset management sector is a notoriously difficult industry to break into, for the first time, the Company offered to participate in the City University of London's Micro-Placements Programme, which helps students from under-represented backgrounds gain access to professional experience via short summer placements. The placement was a success and the Company will consider offering this same opportunity again.

Incentivising Stewardship Integration

The integration of stewardship into the investment process and throughout the wider business is something the ESG Committee have worked hard to get right. The integration of stewardship into the investment process is outlined in detail later in this report. But as with any important business function it is essential to incentivise and monitor how effective this integration has been. In the context of any pre-existing or new developments in integrating stewardship into the business, we use a combination of performance management and reward programs to motivate and manage those actions.

Slater Investments's remuneration policy is in line with the firm's business strategy (including the integration of ESG into the investment process and ESG risk factors) and objectives and contains measures to avoid conflicts of interest, encourage responsible business conduct and promote risk awareness/prudent risk-taking.

Individuals are assessed on both financial and non-financial criteria. Non-financial criteria include achieving agreed personal objectives, compliance with regulatory obligations, adherence to effective risk management practices and compliance with the company's business principles and policies. However, given the nature of the developing landscape on this subject, our main objective is to develop our employees' skills and understanding. Therefore, we put more focus on performance management to incentivise and monitor our stewardship related activities throughout the business. This approach allows for more regular feedback and coaching to help employees identify areas for improvement and provide them with the resources they need to develop.

We are confident in the effectiveness of our governance structure. Our governance structures and processes have developed over time and are a result of how they have worked in practice. We believe that we have a good balance of internal governance structures and processes at the current time (given the size and complexity of the Company) to support the effectiveness of our stewardship activities. Further reporting throughout the report demonstrates our activity during 2022 and confirms the effectiveness of our governance structure and processes in supporting the effectiveness of our stewardship.

PRINCIPLE 3
Conflicts of Interest

We may occasionally encounter potential conflicts of interest related to our stewardship activities. It is incumbent on all investment professionals and members of the Compliance and Risk Committee to identify and manage such conflicts, in line with Slater Investments's Conflicts of Interest Policy. In all such instances, our objective is to ensure that these conflicts are identified and managed appropriately, to ensure our clients' best interests are served.

Given the discretionary nature of our business we take steps to try to ensure we are not generally exposed to price sensitive information during our engagement activities, in respect of particular companies or transactions. We believe that acting in our clients' best interests involves us retaining the freedom to make independent investment decisions on their behalf. Sometimes, however, we do believe it necessary to receive price sensitive information. In this event, we follow company policy regarding insider dealing and market abuse to ensure that at all times we are in compliance with our legal and regulatory obligations under the Market Abuse Regulation ("MAR").

We have procedures and controls in place which identify potential conflicts of interest that may exist within the company. All directors and staff are given annual conflict of interest training and it is their responsibility to identify and report any potential or actual conflicts as they occur. We also undertake an annual face to face review of conflicts where each member of staff is asked to further clarify and confirm any or all conflicts.

We maintain a Conflicts of Interest register which records identified conflicts and monitors them. Conflicts of Interest are a standing agenda item and considered at each meeting of the Compliance and Risk Committee. Were there to be any material Conflicts of Interest, these would be escalated to the ExCo.

Conflicts of interest arise in two forms, at the company level and at an employee level. It is Slater Investments's policy to take all reasonable steps to maintain and operate effective organisational and administrative processes to identify and manage any potential conflicts.

A company level conflict can arise when a stock is held in more than one Fund and/or Portfolios where the strategies differ, i.e. one Fund has a mandate for growth and the other a mandate for income. More specifically where paying a dividend may not be in the investee company's best interests for long-term growth but cancelling the dividend would challenge its inclusion in an income mandate. Our approach to such events is based on common sense. We are long-term investors, it is of greater benefit to both mandates for the investee company to act in its best interests of all stakeholders, and not jeopardise its future by being straightjacketed by a particular dividend policy.

In January 2022, Sureserve Group PLC ("Sureserve"), in which we are the second largest shareholder, engaged with us during the fourth quarter of 2021 as they wanted to amend their dividend policy. Sureserve's board was of the view that, given their strategy is to focus on acquisitions as well as organic growth, Sureserve's capital would be better deployed in driving its growth plans by retaining cash to invest in strategically enhancing acquisitions. At the time of the announcement, Sureserve was well represented in our growth mandates but was also the largest holding in the income mandate. We believed the company board was acting in the best interests of Sureserve and its shareholders and therefore supported their recommendation and retained the holding in our income mandate.

In June 2022, where following the collapse of the takeover bid for R&Q Insurance Holdings Ltd (previously Randall & Quilter Investments Holdings Ltd) ("RQIH"), the company initiated a fundraise of $100m to support its ongoing funding requirements. We had been active in our opposition to the takeover bid (see Principle 9: Case Studies) and we felt it was in the company's, and our clients' best interest to support the fundraise off the back of the failed takeover bid. RQIH was well represented through our growth mandates but was also a feature of the income mandate. We recognised we had to be diligent in how we chose to participate in this fundraise with regard to the varied mandates. Whilst taking part in the fundraise aligned with the strategies for growth mandates, after deliberation we recognised that it did not align closely enough with the income mandate and therefore, we chose not to take part in the fundraise through this fund.

Conflicts of interest may arise where Slater Investments's executive directors may have external appointments.

Any external roles are taken on after discussion with the board, bearing in mind their responsibilities to Slater Investments. Time conflicts, other conflicts and the degree to which the individual will learn are all taken into account. We believe that an executive directors' external appointments may benefit Slater Investments by providing them with a wider range of skills, experience and knowledge which will be relevant to their role at Slater Investments. Details of any such appointments are recorded in the Conflicts of Interest register. Executive directors are limited to having two concurrent paid external appointments.

Further company level conflicts could arise through Slater Investments trading on behalf of its clients. However, Slater Investments does not engage in principal trading, instead all stocks are bought and sold as agency transactions. Therefore, this risk is entirely mitigated.

Potential staff level conflicts occur through personal account dealing, where a member of staff requests permission to deal in a security that Slater Investments's clients have a vested interest in through holdings in Funds and/or segregated accounts. All staff are required to comply with Slater Investments Personal Account Dealing ("PAD") Rules. Slater Investments's PAD rules aim to ensure clients are not disadvantaged and that conflicts are extinguished at the earliest opportunity. Pre-approval must be sought from both a member of ExCo and Compliance when wishing to conduct any PAD. Monitoring is conducted on a monthly basis by our operations department to ensure compliance with the policy and the PAD Rules. The ExCo is informed of any issues arising.

Our breakdown of the number and type of staff level potential and identified conflicts recorded in 2022 are as follows:

- Hospitality and gifts – 28
- Conflicts relating to staff holding funds or stocks held in funds – 68
- Own interest and time conflicts - 36 (directorships and positions held outside of Slater Investments)
- Permissions to deal submitted - 341 of which 12 were declined.

Find a link to our full Conflicts of Interest Policy publication here.

PRINCIPLE 4
Promoting Well Functioning Markets

Identifying & Addressing Risks

Slater Investments is exposed to a number of risks. Some are industry wide and inherent to running an investment management business whilst others are unique to Slater Investments and result from the strategy, size and structure of the business. Slater Investments is, generally, a risk averse organisation and it seeks to mitigate the risks affecting the business where possible.

The Board of Slater Investments recognises that, for Slater Investments to be effective, it must have sound risk management policies and procedures. The Board regards the monitoring and controlling of risks and uncertainties as a fundamental part of the management process and, appreciating the importance of a sound and consistent risk culture, the Board has set and communicated the core values and expectations of the Company.

Slater Investments has therefore built a robust governance structure in place with a number of committees established to ensure sufficient oversight activities based on three levels – risk management, risk oversight and independence assurance. These are distinct activities carried out by different individuals, committees and business areas (see the organisation structure chart in 'Governance, Resources and Incentives').

Slater Investments has developed, updated and adopted effective procedures and processes that identifies and monitors the risks and mitigates such risks wherever possible. The management of the risks relating to the business's activities, processes and systems, in light of its level of risk tolerance, includes checks and balances to control those risks that cannot be eliminated.

Slater Investments's risk policy is formally reviewed once a year by the Board, and more frequently when required. The Board undertakes the review by considering all relevant legislation, including the FCA Handbook and Guidance.

Slater Investments Board is committed to:

- Developing a "risk-aware" culture in which Slater Investments staff are encouraged to identify risk and respond quickly and effectively.
- Ensuring Slater Investments's key stakeholders recognise that Slater Investments manages risk responsibly.
- Developing consistent risk management practices.

A key element to a sound and consistent risk culture is effective communication and challenge. The Board promotes an environment of open communication and effective challenge in which decision-making processes encourage a broad range of views, allow for testing of current practice, stimulate a constructive critical attitude amongst employees and promote an environment of open and constructive engagement.

Slater Investments's Compliance and Risk Committee is responsible for the daily oversight of risks across the business, ensuring the interests of our clients are properly protected through the application of effective risk management. The Committee continuously monitors and reviews the adequacy and effectiveness of these processes. Risk reports are prepared and sent to the Funds Depositary on a daily basis. The Committee also provides a permanent risk management function across the business, with hypothetical and historical stress tests the Funds performed regularly. It reports directly to the Board of Slater Investments, and its committee minutes are reviewed by the Board on a weekly basis.

As long-term investors, the purpose of all risk monitoring conducted is not to stifle the ability of the Investment Committee, but to enhance existing analysis. The Chair of the Compliance and Risk Committee attends all meetings of the Investment Committee and retains the power to veto any action deemed not to be in the best interests of either Slater Investments or its clients. The ESG Committee reports into the Investment Committee.

Slater Investments also has a Pricing Committee that is responsible for the pricing policies for the Funds. The Pricing Committee is responsible for approving any instances of fair value pricing in circumstances such as price feed failure or significant market events. The Pricing Committee reports into the Compliance and Risk Committee.

During 2022 we identified the major market-wide and systemic risks to be:

- Macroeconomic outlook: This is the key risk factor. Sectors move in and out of favour according to the place in the economic cycle. Both are largely determined by changes in the cost of capital.
- Market timing: Slater Investments aims to buy good businesses at reasonable prices, but there is always the possibility that we miss out on beneficial movements in price due to timing. Slater Investments can only deploy funds made available to it and does not try to amplify or reduce its risk with derivatives.
- Political risk: We review in further detail below the Government's September 2022 minibudget and the Ukraine/Russia war. In addition, the UK has a five-year election cycle. We have to keep an eye on likely changes in tax regimes and regulatory policies. These risks are generally company-specific rather than applying to the market in general.
- Environmental and sustainability risk: The rise in ESG regulation, disclosure requirements and attention has created additional risk factors that could negatively impact the financial performance or solvency of a company. Similarly, emerging clarification from the FCA regarding sustainable disclosures and labels will directly affect the Funds. Therefore, in the second half of 2021, Slater Investments began transitioning its Funds to align with Sustainable Finance Disclosure Regulation ("SFDR") Article 8 (which has now been completed).

The following were identified as notable systemic risks that occurred during 2022.

The Russia/Ukraine Conflict.

Our geographic focus is predominantly on companies that have a UK listing. One of the reasons for this is that the UK corporate governance framework provides an overlay of accountability and regulatory protection. We will occasionally invest in overseas equities where there are sufficient legal protections for shareholders, where accounting is transparent and where there are no capital controls. None of these criteria are fulfilled in Russia and as such, we have no investment in Russian-listed companies. However, we invest in a global marketplace where many UK-listed companies have international operations and revenues. Therefore, in addition to the regular monitoring and risk reviews of our portfolios, we conducted a comprehensive review of our investee companies to identify those with operational, financial, political, or reputational exposures to Russia and Belarus, including through secondary events.

The exposure to Russia and Ukraine in our investee companies is generally minimal. To date, we are satisfied with our affected portfolio companies' efforts to manage the human resource challenges and operational and financial complications arising in the affected regions.

In addition to assessing exposures from our investee companies, we reviewed our client base and have determined we have no direct exposure to Russian clients. We have also reviewed Slater Investments's operational risks relating to our third-party providers (depositaries, administrators, custodians, etc.) and their potential exposure to disruption due to the Russian invasion of Ukraine.

We can confirm that there have been no operational disruptions experienced thus far and that our third-party providers are apprised of and abiding by all government-imposed sanctions and regulations.

We continue to keep a watchful eye on this evolving situation, and although our investment process has shielded us from significant exposure to Russia and Ukraine, we are not immune to increasing inflation and rising natural gas prices across Europe. Even considering the inevitable economic ramifications felt around the world because of this conflict, we maintain our focus on the underlying businesses that we own. As in all past crises, it is very important to stay disciplined and patient.

The Governments September 2022 Mini-Budget.

2022 saw relatively high levels of stress in UK markets; energy prices and inflation hit multi-decade highs, the pound fell to record lows against the dollar, interest rates rose to their highest since 2008, all putting strain on businesses, homeowners, and the cost of living. We also witnessed a mini-budget triggering a bond market crisis requiring central bank intervention. This presented a number of topics, of varied importance and urgency, which we assessed through the year.

The mini-budget in September 2022 caused considerable market turbulence and had significant and lasting consequences. The government's plan to cut taxes and increase borrowing in an effort to stimulate growth in the economy caused fears of spiralling inflation.

This had a cascade effect and cast somewhat of a credibility crisis cloud over the UK market as it was viewed that fiscal and monetary policy would be working against one another and that perhaps the Bank of England may not have the levers required to maintain market stability. These events caused a steep increase in interest rate expectations and as a consequence of this, mortgage rates spiked adding significant financial pressure to households already wrestling with increasing energy bills.

The increase in inflation expectations also had serious implications in the gilt and bond market. As interest rate expectations rose, the value of UK long dated gilts fell sharply as their value is inversely linked to interest rates. Gilts are a mainstay of many defined benefit ("DB") pension schemes assets. However, many DB pension schemes incorporated leverage into their gilt exposure by adopting an LDI ("Liability Driven Investing") strategy. As the value of these gilts fell many DB pension schemes received collateral calls to maintain a margin requirement. Seeing the potential of systemic risk, the Bank of England stepped in quickly. This cascade of events brought to our attention two significant risks; our exposure through investee companies which had DB pension schemes exposed to LDIs, and more broadly how our investee companies were addressing the cost-of-living crisis.

We saw significant market risk in the LDI crisis. Our immediate priority was to assess which of our investee companies had DB pension schemes exposed to LDIs so we could assess the level of risk those companies were facing and make a judgement on the level of exposure to this risk in our portfolio.

We identified a number of companies which had DB pension schemes exposed to LDIs and engaged with them on this to understand the nature, and degree of their exposure (as sponsors to the DB pension schemes). If, having met with the company on this issue, we were satisfied with the level of risk then it is something we routinely monitor on an ongoing basis. In cases where we assess that there is a higher risk we have continued to engage with the company on the issue.

Cost of Living Crisis

Higher energy prices, inflation and interest rates were features of the UK economy through 2022, and these were factors we assessed in a number of ways. Of significant interest to the ESG Committee was how our investee companies were addressing the cost-of-living crisis was were a consequence of these factors. This was a period of high financial stress on millions of ordinary people and we saw this as a test of how companies would approach this in practical terms, and an opportunity for companies to illustrate in a practical way how they treat their employees. In many ways Covid shone a light on companies' treatment of their employees and it refocused company welfare in the responsibilities of executives. We engaged with companies requesting they explain what they were doing to help their lower paid employees through these challenges. We were encouraged that companies, particularly those with a larger number of low paid workers, were proud of their actions on helping their employees with the cost-of-living crisis. Further information and case studies on this are included in the section – Principle 9.

Involvement in Industry Initiatives

Slater Investments has a responsibility to help address market-wide systemic risks and promote a well-functioning financial system. We believe that being an active member of the IA, the trade body that represents investment managers & investment management firms in the UK, provides us with the most impactful platform and allows us to be directly involved in engagement with regulators and policymakers.

The risk climate change poses was the overarching topic of focus for us through 2021 into 2022. The ramifications of climate change to the environmental pillar of ESG are becoming more visible, with extreme weather events, changing weather patterns, and loss of biodiversity being only a few of the multitude of crises facing the planet and the increasing severity of environmental risks for companies. Therefore, we prioritised our efforts on industry initiatives tackling this issue from 2021 into 2022.

Whilst our investment process does not lend itself to a significant number of capital-intensive companies, climate change affects everyone, and we are keen to ensure management of the companies we own are alive to the risk. We therefore evaluated all investee companies with a specific focus on any potential stranded assets and have engaged with companies regarding their plans for aligning themselves with the transition to net-zero carbon emissions. The companies we have seen with good governance are taking this seriously by creating achievable roadmaps. Given the nature of investing across a spectrum of sectors and companies, this is something which must be assessed on a case-by-case basis.

For example, we engaged with two companies which, given the nature of these companies' businesses and the technology currently available, find it very challenging to see a viable path to net-zero. However, given the ever-increasing amount of net-zero pledges companies in their sectors were making, they wondered if they should be doing the same. We believe that any targets should be based on an achievable plan, and do not believe the current trend of setting a target and figuring out the specifics later is a demonstration of good governance, especially when most plans involve use of copious carbon offsets, which we do not believe will hold much weight in the future (and will come at a greater cost to the business). Instead, working towards organically reducing emissions and electricity consumption where possible is a much more effective use of management's time, as these actions also filter through and improve the business. We believe it is critical that our companies are approaching this challenge from a sincere and achievable foundation, with the right ambition, using measurable targets on which they can be held to account.

Members of our ESG Committee were involved with a number of industry initiatives:

- In 2022 we joined a roundtable hosted by our funds' depositary, CACEIS, which focussed on how to stay in front of the sustainability regulations curve. Discussion covered the data challenges being faced, how companies approach educating members of staff on ESG, and the incoming UK SDR regulation and its potential impacts. This are attended by 12 people with representatives from other fund managers, data providers, and regulators. We have contributed to this roundtable particularly with a focus on the challenges and limitations of SDR, as well as how we are dealing with the data challenges. This is ongoing but this provides insight and diverse ideas on how others are thinking about and approaching issues we face here.
- The IA's Task Force on Climate-related Financial Disclosures ("TCFD") Implementation Forum focussed on navigating the incoming policy which aims to make firms' climate-related disclosures more consistent and therefore more comparable. This was also attended by other fund managers, as well as members from other industry-led initiatives such as Partnership for Carbon Accounting Financials ("PCAF") which works to enable financial institutions to measure and disclose greenhouse gas ("GHG") emissions of loans and investments.
- The IA's Sustainable Finance Disclosure Regulation ("SFDR") implementation forum which covers the disclosure of ESG information by financial market participants in the European Union ("EU").

- The IA's Requisitioned Resolutions working group, for which the purpose was to inform and direct the IA's work in preparing guidance for investors to overcome the barriers to the successful requisitioning of resolutions in line with the general recommendations of the Asset Management Task Force's Report: 'Investing with Purpose: placing stewardship at the heart of sustainable growth'.
- A working group collaboration between the IA, the Association of British Insurers, and the Pensions and Lifetime Savings Association to create a standardised data set to help firms' pension scheme clients meet their Task Force on Climate-Related Financial Disclosures reporting obligations. The Carbon Emissions Template, the product of this working group, was endorsed and launched in February 2022.
- The IA's Financial Crime Forum focussed on the evolving challenges of financial crime and fraud while discussing ideas on managing risks related to financial crime.
- Ongoing membership of the IA's Net-Zero Forum, which enables peer-to-peer knowledge sharing and provides a platform for all IA members to raise questions and find solutions in their journey to net-zero.
- We engaged with Heart of the City, a City of London-based organisation designed to help small to medium-sized businesses precisely formulate a plan to impact the planet positively. In 2022 we developed a Sustainability Roadmap with, amongst other key action points, the objective of lowering our emissions as much as possible without using carbon offsets.

PRINCIPLE 5
Review and Assurance

In our capacity as the Authorised Corporate Director/Manager of our Funds, we consider how we can provide better outcomes for our investors and challenge the service we provide to them to ensure the delivery of the outcomes we believe our investors expect. We provide a mandated Value Assessment Report which assesses, amongst other matters, the stewardship and governance provided to the Funds over the year (further information of this Report can be found in 'Client and Beneficiary Needs' section).

In addition to our due diligence processes and annual reviews, external auditors conduct an annual review of the internal controls of administration services of our third-party service provider, JTC Fund Solutions RSA (Pty) Limited, which is prepared in accordance with the International Standard on Assurance Engagement 3402.

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In addition to our due diligence processes and annual reviews, external auditors conduct an annual review of the internal controls of administration services of our third-party service provider, JTC Fund Solutions RSA (Pty) Limited, which is prepared in accordance with the International Standard on Assurance Engagement 3402.

All votes cast on behalf of our clients and the Funds are reviewed by the ESG Committee on a weekly basis and reported quarterly on our website.

We also publish the annual results of our United Nations Principal for Responsible Investments assessments on our website.

We do not use external auditors for our stewardship activities. However, a formal verification process testing the controls behind our stewardship activities and compliance with the Stewardship Code was undertaken by a member of the ESG Committee. A review of this process and supporting evidence was reviewed by a second member of the ESG Committee. The report and evidence were then submitted to the Board of Slater Investments.

We also have the following internal procedures and policies in place including:

- Code of Conduct;
- Remuneration;
- Modern Slavery Statement;
- Culture Assessment Framework;
- Conflicts of Interest;
- Voting;
- Engagement;
- Personal Account Dealing;
- Best Execution;
- Gifts and Benefits;
- Anti-Bribery and Corruption; and
- Dealing and Allocation.

These policies and procedures reviewed and where necessary updated at least annually to ensure they enable effective stewardship. Their effectiveness is monitored by the Compliance and Risk Committee.

The Investment Committee is chaired by Mark Slater, Chief Investment Officer and Chairman of the Company whilst the ESG Committee is chaired by Ralph Baber, Chief Operations Officer, both of whom are Executive Directors and sit on the Executive Committee (ExCo). They have oversight of all the work undertaken by both the Investment Committee and ESG Committee.

Our investment and stewardship processes are reviewed on an ongoing basis by our Compliance and Risk Committee and are signed off by the Board annually. This Report was produced by the ESG Committee. The Report was submitted to the Board for sign off.

Our processes ensure that we are able to sense test the effectiveness of our stewardship activities and whether there are improvements which can be made. This year, we have again increased the internal, dedicated resource to the ESG department to ensure continued improvement, including amongst other things, effective data collection and storage, enhanced engagement with companies and improved engagement outcomes both on specific company related issues or a more general issue. With this additional resource, we have integrated the ESG function within the investment process across the Funds.

The Board continues to believe that the chosen approach to assess the effectiveness of the Company's activities are suitable for a company of the size and complexity of Slater Investments. Using the FRC guidance, the Company is categorised as a small, UK based asset management company with four actively managed funds. The fund managers know the investee companies within the portfolios well and all of the Funds are focused on the long-term investment horizons. The oversight from the ExCo over all of the stewardship activities provides additional assurance to the Company's approach to stewardship.

The Board considers this Report to provide a fair, balanced, proportionate and an understandable view of our approach to Stewardship.

INVESTMENT APPROACH

PRINCIPLE 6
Client and Beneficiary Needs

The investment products we manage are predominantly UK equity based. We manage segregated accounts and offer a number of types of portfolios tailored to each client's individual objectives. Segregated account clients include high net worth individuals, occupational pension schemes and charities. The investment time horizons range from a minimum of five years to an excess of ten years, depending on the client's risk and return preferences. In the case of our clients which are occupational pension schemes this is tailored more specifically to each scheme's journey to being, for example, fully funded, self-sufficient or preparing for buy out/buy in.

We also manage four UK domiciled UCITS Funds with different investment objectives but all of which are suitable for investors planning to hold their investments over the medium and long-term. We recommend a minimum investment period of five years.

How we seek out and receive clients' views depends on the chosen investment route:

- clients with segregated accounts enter into dialogue with our fund managers detailing their objectives, targeted return and risk profile which are then incorporated into the investment process provided to them by the Company.
- clients investing in the Funds can either invest directly with Slater Investments or through a platform on an execution-only basis. This allows the investor to assess their own risk and return preferences independently.

Segregated Accounts

Our segregated accounts have investment guidelines and restrictions put in place which are created to reflect the client's investment policy. Segregated account clients are able to create a bespoke portfolio which can avoid exposure to particular sector or business activities, asset classes or markets. Voting and engagement on behalf of our segregated accounts are delegated to us (please also refer to the Voting section below).

We communicate on our approach and activities regarding stewardship in four ways:

- we report to our segregated account clients on a quarterly basis (as well as ad hoc when requested) where we provide further detail about our stewardship activities including our engagement activities with investee companies. We also maintain regular contact with our clients and have conversations around their interests, time horizons and needs;
- we publish voting reports on our website, which are available to the public;
- we produce two blogs, PEGwatch and Dividendwatch, on our website; and
- we organise events for investors. This includes in-person events, virtual conferences and webinars.

We continue to review how we can further improve our communication with clients. The format of each of our segregated accounts quarterly reporting has developed over time to best meet each client's reporting needs and preferences.

Occupational Pension Schemes

Recognising the increasing statutory requirement of some of our segregated accounts to understand how their assets are being managed and invested and, in particular, our occupational pension schemes clients, we realised that we had to adapt how we approach and engage with our investors.

The segregated accounts which are occupational pension schemes are required by statute to publish the arrangements they have with us, as their asset managers, and include this in their respective Statement of Investment Principles. These schemes are required to publish on-line how they have implemented their engagement policy, including voting behaviour by, or on behalf of the Trustees, of the respective Schemes. We have engaged with the Trustees of these schemes via their advisers to ensure the information provided to them fulfils their statutory requirements.

We continue to review how we can improve our engagement with all our segregated accounts in respect of improving stewardship and governance of their accounts and, in particular, in respect of the pension schemes how we can best report to them in order for them to fulfil their statutory obligations. Some segregated account clients have been happy to continue with existing arrangements, whereas others, like the pension schemes, require increased information.

Our Funds

The assets of the Funds are managed in accordance with the respective Fund’s stated investment objectives and policy.

Voting and engagement are delegated to us (please refer to the Voting section below).

Slater Investments maintains both institutional and retail focused Investor Relations functions and, whilst no advice can be given, any investor is welcome to contact Slater Investments at any time; contact details for which are publicly available on our website and in all communication. Communication with the Fund investors is broadly similar to that of our segregated account namely:

- we publish annual and interim reports for each Fund on our website and send the same report to all Fund investors on our register;
- voting reports are published on our website quarterly together with the Shareholder Rights Directive II disclosures;
- Fund factsheets are published monthly on our website;
- we produce two blogs, PEGwatch and Dividendwatch on our website and organise events for Fund investors including webinars and investor events; and
- we produce an annual Value Assessment Report which is published on our website (see section below).

Value Assessment Report

In our capacity as the Authorised Corporate Director/Manager of the Funds, we continually consider how we can provide better outcomes for our investors and challenge the quality of the service we provide to them to ensure the delivery of the outcomes we believe our investors expect.

To improve and strengthen fund governance we conduct an annual review of our UK domiciled funds to evaluate the value provided to investors. This report, which is approved for publication by the Board of Slater Investments, covers the following areas:

- Quality of Service
- Performance
- Fund Management Costs
- Economies of Scale,
- Comparable Services
- Comparable Market Rates; and
- Classes of Units

Within this report is an assessment of our stewardship and governance activities provided to the Funds over the year. The report is available to all visitors on our website.

The assessment undertaken included more granular testing and review compared to the previous year, thereby improving our quality assurance to our clients. During 2022, we introduced client surveys from which to gather feedback on subjects such as customer satisfaction. Forming part of the implementation of the new FCA Consumer Duty, we are looking further into how we can engage more generally with our direct investor base which includes the feedback received from our client surveys together with ensuring that we continue to communicate effectively and clearly with our clients.

Through 2021 and 2022 we considered whether investors were in the most appropriate Unit/Share class. Where a potentially better outcome may be available to an investor, we considered whether suitable action, such as offering the investor a free conversion into an alternative lower fee unit class should be made. We therefore identified and contacted a number of investors and offered them a free conversion into a lower fee unit class. Whether this is suitable for all investors is determined by the individual's personal circumstances as we acknowledge it may not be appropriate for all investors. However, we were pleased to see through 2021/2022 a 68% uptake of this proposal.

Since the publication of the final policy and guidance relating to the FCA Consumer Duty in July 2022, work to review our client outcomes including a review of the overall client investment journey has been undertaken with the implementation for the Funds to take place by the end of July 2023. The Company will report on this further next year.

In September 2022, the IA published it's ACD Governance review which focused on the fact that ACDs must act solely in the interests of the fund, its investors and the integrity of the market. In parallel with the work being undertaken to implement the Consumer Duty, the firm is also undertaking a general health test of its ACD function focusing on:

- product design and manufacture
- ongoing governance and operational oversight
- risk management
- Value assessment
- investor disclosure, and
- operational integrity

We have also performed analysis on our top holdings across the Funds. We analysed the top 18 holders of the funds to assess the proportion of Assets Under Management held through different entity types. Our findings across these funds were as follows:

Entity Type	% of Assets of the Funds*
Retail Investment Platform	14%
IFA	13%
Wealth Manager	7%
MPS provider	4%
Institutional Platform	4%
Sovereign Wealth Fund	2%
Feeder Fund	1%
Limited Company	1%
Offshore Platform	1%
Stockbroker	0%

*Slater Growth Fund, Slater Income Fund and Slater Recovery Fund

Our client base is heavily UK based with geographic distribution across the funds as follows:

Country	% of Assets of the Funds*
UK	83.55%
Luxembourg	7.92%
Guernsey	4.32%
Switzerland	1.65%
Isle of Man	0.94%
United Arab Emirates	0.37%
Jersey	0.33%
Malta	0.20%
Canada	0.18%
Sweden	0.14%
Singapore	0.12%
France	0.08%
Ireland	0.06%
British	0.05%
Spain	0.04%
Cayman Islands	0.02%
United States	0.01%
Philippines	0.01%

*Slater Growth Fund, Slater Income Fund and Slater Recovery Fund

PRINCIPLE 7
Stewardship, Investment and ESG Integration

Slater Investments is a voluntary signatory to the United Nations Principles for Responsible Investment ("UN PRI"), a commitment to responsible investment, that places Slater Investments at the heart of a global community seeking to build a more sustainable financial system.

The integration of ESG factors into Slater Investments's existing investment process does not represent a change of process nor a style shift, but instead is an enhancement of the process where ESG factors are used to help identify companies positioned for strong long-term performance. Used as an additional risk indicator, ESG analysis can help mitigate risk and lead to superior long-term performance.

ESG integration is approached from a practical perspective, considering these issues against the backdrop of Slater Investments's investment time horizon and goals of its Funds and segregated accounts. Our investment process is not driven by ESG, however, the search for investable companies inevitably leads to companies with above average levels of corporate governance. Similarly, our growth process has been biased towards "capital light" businesses which typically present relatively few material environmental concerns. The integration of ESG factors within Slater Investments's investment process involves the following:

- We believe Governance to be the most important of the three ESG pillars and is an aspect of our stewardship we pride ourselves on. Without effective governance there is limited prospect of positive ESG developments and little prospect of profitable engagement. Our initial focus is on the constitution of the board and the track record of the individual (Non-)Executive Directors. This initial work is conducted by the Investment Committee, which is followed up by a more comprehensive study by the ESG Committee including, but not limited to, diversity, upwards mobility within the work force, tenure, compensation, culture, transparency, capital discipline, risk management, independence, and asymmetrical ownership dynamics. A key factor where we spend time is executive remuneration. We try to understand how incentives, including those linked to non-financial targets, are aligned with our interests as shareholders.

- Companies that emerge from our fundamental screens as potential investments are then screened for ESG factors. Where a new company is proposed, an ESG research report accompanies the Investment Committee's own work. A member from the ESG Committee will also participate in the initial meeting of prospective investments. In this instance, Slater Investments defines initial as:
    a. if Slater Investments have never met the company's management previously;
    b. if there has been a material change in either the management personnel or the company's long-term strategy; and
    c. if more than 5 years have passed since the last meeting between Slater Investments and the company's management.

- We do not use a one size fits all process, instead our focus changes from company to company as we look at what we deem to be material to each company based on a combination of existing ESG standards (e.g. Sustainability Accounting Standards Board) and our own in-house standards. With the rising uptake in ESG related reporting, there is increasing overlap with the areas identified by the companies themselves, which makes monitoring easier.

- The focus of this process is broken down into two categories:
    a. Maintaining value - The primary focus is to pre-emptively monitor for ESG risks that may emerge which might threaten the price earnings ratio or earnings growth prospects of Slater Investments investee companies.
    b. Adding value - The ESG Committee work with management teams of Slater Investments investee companies, offering advice as to how they can use ESG to assist in growing the business through either identifying ESG related market opportunities or improving their internal ESG practices.

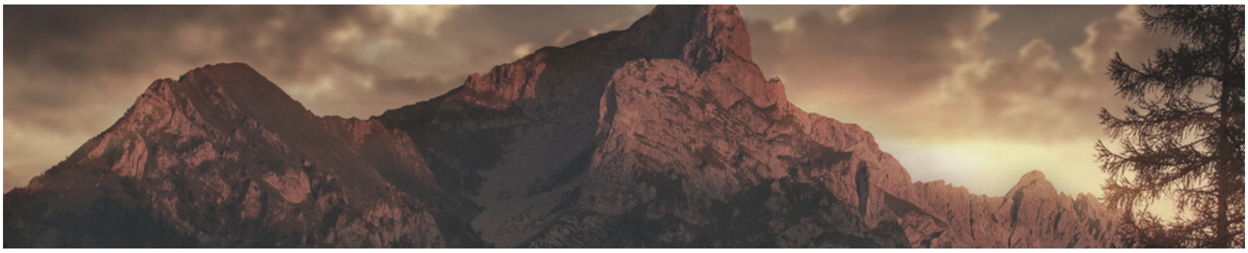
- Any ESG risks (and related Principal Adverse Impacts ("PAIs")), identified by the ESG Committee are weighed against all other inputs when considering an investment decision. In line with Slater Investments existing risk management processes, where Slater Investments is not comfortable with a risk posed by an investment, steps will be taken to mitigate and manage that risk, which may include disinvestment. The Chair of the Compliance and Risk Committee attends both Investment Committee and ESG Committee meetings and retains the power to veto any action deemed not to be in the best interest of its clients. All companies are ultimately scored using a RAG rating:

    a. Red: the Investment Committee will immediately be notified of companies identified as PAI laggards. Identified companies will be further analysed by the ESG Committee. This may result in divestment depending on the risk and severity of the identified negative impacts and the total cumulative negative impacts identified across all PAI indicators. Immediate engagement will be conducted with company management to address the identified risk.
    b. Amber: investments which are identified as PAI intermediate performers will also be further analysed with the aim to mitigate and/or eliminate adverse impacts through prioritised engagement.
    c. Green: Slater Investments continues to engage with investee companies identified as PAI leaders to assist in identifying how value can be added, and any risks be further mitigated against.

- Where it is necessary to seek additional information or clarification, the ESG Committee will engage with the company directly. In the instances where the ESG Committee's concerns are not entirely alleviated, this information will be relayed to the Investment Committee. The ESG Committee also seeks to monitor press coverage of portfolio companies and any new concerns, or ideas, are communicated to the Investment Committee.

- Ongoing monitoring of portfolio companies is conducted throughout the year and is linked to the results cycle and other company statements. Companies are monitored both against their own KPIs and ESG factors we deem material. Where it is necessary to seek additional information or clarification, we will engage with the company directly. In the instances where the ESG Committee's concerns are not entirely alleviated, this information will be relayed to the Investment Committee.

- Potential material climate risks in portfolio companies are identified by both the Investment Committee and the ESG Committee. This is done through internal research and our third-party ESG data provider. Every quarter, each portfolio is monitored against a climate scenario analysis program. When testing at the portfolio level, we look to answer the following questions:
    a. What proportion of the portfolio is invested in the nine vital climate-relevant sectors (power, oil & gas, coal mining, automotive, shipping, aviation, cement, steel, and heavy-duty vehicles)?
    b. Do the companies' production plans in the portfolio tally with climate scenarios that comply with the Paris Agreement?
    c. Which companies in the portfolio significantly influence the results?
    d. How does the portfolio perform compared to market benchmarks?
    e. To what level of risk is the portfolio's asset value exposed in various transition scenarios?



Scenario analysis is used to highlight possible exposure to climate risks. It provides a systematic framework for analysing the uncertainty around the impact of climate risk factors, including timing and variability across geographies and sectors. This exercise enables the identification and potential escalation of investment-related climate risks or opportunities which may be deemed to impact the resilience of our overall strategy. We will continue to develop the integration of climate within our risk management processes in 2023.

- The ESG Committee reviews external ESG ratings for both companies under consideration and existing investee companies. They form a starting point for engagement, however, are never taken at face value. These ratings will gain in value once globally acceptable standards are adopted across the market capitalisation spectrum; we look to International Financial Reporting Standards' International Sustainability Standards Board in this regard.

- The nature of our engagement depends on the size of our shareholding/strength of our relationship with directors and the level of concern about issues that arise from the ESG Committee's initial research and ongoing monitoring.

- We also conduct themed engagements where we seek to identify the most important issues that are relevant to companies we own and engage across the board. Examples of which are disclosed in the 'Engagement' section below.

- During the second half of 2021, we commenced work to transition the Funds into Article 8 compliance under SFDR. This project involved a detailed review of the entire investment process to ensure the thorough overlay of our ESG integration at every stage, along with the production of appropriate supporting documentation. We were pleased to announce during 2022 that four of the funds were categorised as Article 8 products under SFDR. We are monitoring and have taken part in the current FCA consultation process in respect of its proposed Sustainable Disclosure Requirements ("SDR") and the impact they may have on our funds.

PRINCIPLE 8
Monitoring Managers and Service Providers

All our service providers are subject to our selection process, which includes, where relevant, questions on their governance and approach to ESG. When selecting the Depositary and Custodian to the UCITS Funds we included questions on the respondent's company policies on anti-bribery and anti-corruption, anti-money laundering, anti-facilitation of tax evasion, modern slavery and human trafficking and climate change and environmental protection. In addition, we requested details as to how these policies were communicated in the organisation, the types of training provided to their employees and how compliance with the policies was monitored. We undertake an annual review of all service providers.

We do not delegate any investment management services outside of the Company nor do we delegate voting to any third parties (please also refer to the Voting section below). Both activities are retained in-house. Neither the Funds nor the segregated accounts pay for research as this is fully paid for by Slater Investments. We do monitor the quality and accuracy of the information provided and, if the provision of this service is not acceptable, our contract with a particular research provider is terminated.

In 2021 we engaged the services of an external specialist ESG data provider, Clarity AI. We maintained a strong working relationship and were in contact on a regular basis to request updates, ask for clarification on data points or to collaborate on projects, for example, amending scoring methodology or liaising with our investee companies to provide ESG data.

We were reliant upon Clarity AI to help strengthen our approach to integrating quantitative ESG screening into the investment process by providing us with up to date and relevant data, this identification was one of the principal reasons behind dedicating more resource towards the production of in-house ESG data capabilities.

However, there were growing instances during 2021 where we found that reporting investee companies data was either not being identified by them or there was a material time lag before it was reflected in the relevant ESG scores. This was also only identified by them once we engaged directly and/or arranged for our companies to liaise directly with Clarity AI. We actively engaged with Clarity AI, however, the issues we experienced were largely difficult to avoid due to current flaws in the wider ESG data landscape. Improvements were made but these were insufficient for our requirements. We therefore terminated the services of Clarity AI at the end of 2021.

We now use an alternative external data provider, Refinitiv, for our ESG data requirements and have developed proprietary software to enable us to bring this functionality in-house which runs in parallel to Refinitiv. The completion of this project has enhanced our ESG research capabilities and reduced our reliance on external data providers.

We use Refinitiv throughout the business on a daily basis, it is incorporated into our portfolio management, risk analysis, pricing analysis, company analysis, ad-hoc investment committee requests, client information requests, news flow analysis, this includes utilising ESG data for company review analysis.

Within these company reviews we include the company's ESG performance, its performance vs the three ESG pillars, how this has changed over time, how it has performed relative to its sector, and information on ESG controversies. We acknowledge, as previously reported, that no data provider is 100% accurate. We have found some areas where data delays are more prevalent, and this is something we monitor on an ongoing basis. For example, when performing analysis on the NEDs of our investee companies we found the data we ran was delayed and therefore missing a number or more recent directorial changes across our portfolio. Recognising this we chose to use Refinitiv to do the initial review, which would then be checked and amended where necessary to ensure data was accurate and up to date. We work under the assumption that data inconsistencies are a current reality, and we focus on integrating sourced data where it can add value and amending it where necessary.

This experience has reinforced our view that third-party data sources can only be one input alongside our own in-house fundamental analysis and engagement insights (please also refer to the Stewardship, Investment and ESG Integration section above).

We use proxy voting service providers. All investee company holdings are recorded with Broadridge Financial Solutions ("Broadridge") and Institutional Shareholder Services ("ISS") from information provided by the Funds and segregated mandate custodians.

Broadridge and ISS provide portals on their respective platforms, through which our investee companies' upcoming meetings are identified, alongside any voting resolutions, and the ability to cast our votes. A clear and organised end-to-end voting system enhances our ability to identify, communicate, and engage on issues as they arise. For example, identifying voting resolutions we wish to engage on in a timely and efficient way allows us time to discuss internally and engage with the company where required prior to the voting deadline. We feel utilising these service providers streamlines the voting process, achieving efficient identification and voting processes. These also provide the ability to run reports on our historic voting activities.

We had one incident of concern relating to Broadridge through 2022. We identified that one account of another investment manager was added to our portal. This meant a number of companies with upcoming meetings were showing on our portal even though we did not hold that company across any of our portfolios. We immediately raised this with Broadridge who confirmed that this account had been set up as per the other investment managers instruction. We expressed that this was clearly an error and on further investigation this was recognised by Broadridge and the other party. The account was then removed from our account and the issue was resolved. This was a complex issue due to the nature of the error and the size of the other investment manager but we were disappointed with the time it took for it to be resolved, with the time from identifying the issue to the issue being fully resolved being 41 days. Whilst this was not a breach on our side, we took very seriously this issue, ensuring the information available to us from this error was not used or shared in any way.

We monitored the situation as the issue was identified, investigated, and resolved. The main challenge to us was that because the account which had been linked to ours in error was so large, it flooded our portal with votes not relevant to us. During this period it required an additional stage of cross checking the list provided by Broadridge against our holdings. This did not cause any errors to our voting. The portals are checked daily and monitored for any errors such as this, and these errors are considered when making judgements on the overall value of these portals. Through 2022 we continue to believe that these portals enhance our voting and engagement capabilities in a time and resource efficient way.

ENGAGEMENT

PRINCIPLE 9
Engagement

We consider engagement to be proactive interactions with our investee companies aimed at accomplishing a defined set of objectives. Our process for prioritising our engagement schedule is invariably based on materiality of identified risks and may evolve from Slater Investments's routine monitoring where an issue is highlighted, consultation instigated by an investee company or due to activity of an investee company. No two engagements are the same nor the decision as to whether to engage or not. Engagement activities combine the perspectives of the Investment Committee and the ESG Committee from which engagement objectives are determined.

Engagements are carried out in accordance with our Engagement Policy ("Policy"), which is publicly available on our website.

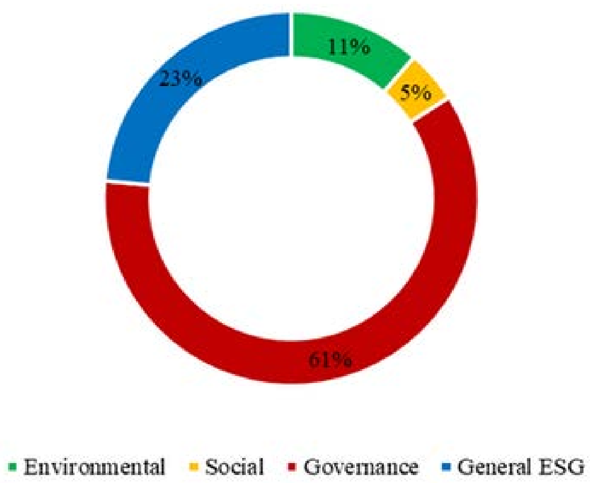
We do not invest in a company with the view of engaging; in an ideal situation we aim to buy into a high-quality business and monitor it. This ongoing monitoring of investee companies is equally as important as the initial investment decision itself, and sometimes shareholder engagement can help to support good corporate governance. This is important not only because it enhances shareholder interests directly, but also owing to the wider benefits it can have from an ESG perspective.

Instances where it may be necessary for us to engage with investee companies include where we have concerns about the company's strategy, performance, governance, remuneration or approach to risk. We will engage with any investee company when we feel there is a need to do so, regardless of our holding. However, we have a greater impact where we have a material holding, defined for us as ownership greater than 3% of the company.

Through 2022 Slater Investments had 389 interactions with companies, with 133 of those classified as engagements. Of these engagements 74% took place with representatives of the company at Board level, 20% at Executive level, 4% with Investor Relations representatives and 2% with dedicated sustainability representatives. Of these 61% were focussed on Governance, 11% focussed only on Environmental issues, 5% on Social issues, and 23% a more rounded discussion of general ESG issues.

Members of both the ESG and Investment Committees are involved in the process of monitoring and engaging with our investee companies. Neither engagement with companies nor discussions and considerations of ESG factors are conducted by one section of the business in isolation.

Engagement pie chart



Members of both the ESG and Investment Committees are involved in the process of monitoring and engaging with our investee companies. Neither engagement with companies nor discussions and considerations of ESG factors are conducted by one section of the business in isolation.

Engagement Workflow:

Pre-meeting:

- It is important to have clear and focussed objectives for any engagement; this can be to convey a particular view on a specific issue, to understand better a decision or proposal made by the company, to clarify specific figures, or sometimes broader updates, which none the less require equally concise pre-meeting objectives outlining. We perform company specific research prior to engagements ensuring we are up to speed on the specific engagement subject to make the meeting as efficient and productive as possible. This considers risks specific to the company, industry or geographic region. We consider the company's business model, environmental footprint, ESG initiatives, governance framework, remuneration, key risks, prior engagements, amongst other things. These can vary on a company-by-company basis. This culminates in a pre-meeting note which is circulated to the ESG Committee. This comprehensive approach means we are prepared for our specific objective but also informed for any additional topics or issues which may be raised during the meeting itself.

Meeting:

- It is imperative all discussion is undertaken in a tone which is productive and progressive. Fundamentally we expect all attendees should be motivated towards the same ultimate goal and it is important that discussion does not diverge from being productive. Constructive dialogue with differing opinions is something we pride ourselves on doing well. We are proud that we have fostered very constructive relationships with the companies with which we have engaged. The vast majority of our engagement work is very specific to each company and situation. Often issues arise where companies' policies diverge from ours, and in those cases we approach the engagement on an incremental steps process. This means most of our engagements where we wish to see change is undertaken with the expectation of seeing positive changes over time in the direction we are focussed, but we do not go into the engagement expecting wholesale shifts. It is important we maintain an ambitious but realistic approach to these engagements.

Post meeting:

- Following an engagement we review it, assessing how productive it was in achieving our engagement objective. We then report on the engagement, recording what was discussed with regard to the purpose of the meeting as well as any extension discussions on top of that. We note any commitments from the company, any timelines discussed or future engagements which were planned. This culminates in a post-meeting note which is written up and circulated to the ESG Committee. Follow-up and escalation is also an important part of engagement activity. Engagements are by their nature ongoing and so it is important to plan future meetings and set parameters for when escalation is appropriate. Escalation is appropriate if progress is stalling without adequate reasoning or communication. This can include requesting to speak to alternative executives, engaging with other shareholders, or in the more serious cases filing shareholder resolutions.

Case Studies

Our engagement falls into one of two categories; that conducted with individual companies on specific issues, and thematic engagement on a broader scale with a group of companies.

Company Specific

R&Q Insurance Holdings Ltd
Sector: Insurance
Asset Class: Equity
Issue: Acquisition and relevant funding.
Objective: Understand better, and inform stakeholders on, our concerns regarding this acquisition.
Action: Lead engage with shareholders to express our concerns around the acquisition and specially the financing of the acquisition.
Outcome: The acquisition was unsuccessful, and funding was later secured through a fundraise which ourselves and other shareholders supported.

One of Slater Investments's main engagements during the year was to lead engagement with other shareholders to prevent a recommended cash acquisition of RQIH, which Slater Investments was ultimately successful in doing. Financing for the acquisition was uncertain and shareholders were not protected by the Takeover Code. The Board should never have agreed to a situation where shareholders and the business were exposed to such risk. We were surprised how few shareholders understood this risk. Subsequently, in June 2022, Slater Investments participated in RQIH's ensuing equity fundraise (the "Fundraise"). The net proceeds of the Fundraise were to be used by the company to strengthen its balance sheet, fund collateral requirements and pay down debt.

The Fundraise has resulted in Slater Investments now having an 11.73% holding in the company. Slater Investments further publicly supported the company following the requisition of a special general meeting in August 2022 by a fellow shareholder to remove the Chairman as a director of the company and to appoint a successor. Slater Investments was pleased with the company's appointment of a new Senior Independent Director to the board and its intention to appoint a new Non-Executive Chairman, which Slater Investments believed was the best way to address the governance of the company. Slater Investments therefore voted against the tabled resolutions, which ultimately did not pass. Slater Investments believes the company has now emerged from a difficult period and is in a stronger position to move forward.

Palace Capital PLC
Sector: Real Estate
Asset Class: Equity
Issue: Board composition and strategy
Objective: To bring the issue of succession planning to the attention of the board and assist where necessary in ensuring the company has developed a competent succession plan, to discuss the strategic steps necessary to narrow the company's discount to NAV. Furthermore, to understand how the company was considering the strategic implications of the consolidation of the sector for companies below a £100 million market capitalisation.

Action: Following Palace Capital PLC's appointment of a new Chairman in December of 2021 we worked closely with the executive team of the company on their new strategy for the business. Through 2022 we worked with both the Board and other shareholders to assist in unlocking the value within the company and we were pleased with the progress made. In August of 2022, Slater Investments met with the newly appointed Executive Chairman ("Chairman") and Senior Independent Director ("SID") to continue discussions regarding the company's new strategy and how it plans to eventually return funds to investors.

Outcome: The current Board now consists of three members, with no plan to add to this number. This is a welcome stance as it represents a much more prudent cost management structure and will look to create additional value for shareholders. Slater Investments was pleased that the Chairman was very much focused on the costs of the business which in the past had been too high. Slater Investments continues to monitor this situation closely.

Clinigen Group plc ("Clinigen"),

Sector: *Pharmaceuticals*

Asset Class: *Equity*

Issue: On 8 December 2021 the Boards of Clinigen, one of Slater Investments investee companies, and Triley Bidco Ltd ("Triley Bidco") announced they had agreed terms for a recommended all-cash offer to acquire Clinigen at 883p per share.

Objective: To express our view that the offer price was not adequate. At the time of the announcement, Slater Investments did not agree that the offer price represented a true reflection of value for shareholders.

Action: Slater Investments signalled an intention to vote against the recommended offer and engaged with other shareholders to discuss our concerns.

Outcome: In January 2022 the Boards of Clinigen and Triley Bidco announced an increased and final recommended all-cash offer for Clinigen to 925p per share, which represents an increase of 42p and 5% per share. Slater Investments believed the final offer price represented a truer reflection of shareholder value and voted in favour of the offer. The General Meeting was also delayed until February 2022, where the bid was duly approved.

Elixirr International PLC ("Elixirr")

Sector: Insurance

Asset Class: Equity

Issue: In our April 2021 review of Elixirr, in which we are the second largest shareholder, we noted that we did not believe the current Non-Executive Directors ("NEDs") on the Board were of the standard we would expect of a listed company as we did not believe them to be suitably independent. All three NEDs had at some point been consultants to the company.

Objective: To press the company to improve its board structure and governance.

Action: Since then, we have engaged with the company's leadership to help move the company forward in strengthening its governance, particularly involving Elixirr's succession planning.

Outcome: The board composition has not changed though we continue to engage with the company on improving governance.

Thematic

Audit Committee reviews:

On 4 August 2021, we wrote to the Chair of the Audit Committee for all companies where we hold a material position. Our intention was to examine the risks each company faces; to understand how they are discussed at Board level, and how much time the Board spends reviewing these risks. We were very On 4 August 2021, we wrote to the Chair of the Audit Committee for all companies where we hold a material position. Our intention was to examine the risks each company faces; to understand how they are discussed at Board level, and how much time the Board spends reviewing these risks. We were very pleased to receive a response from all 39 companies we contacted, with an average response time of 17 days. All meetings have now been conducted. We have been encouraged with the quality of the engagement and found it interesting that many of the Chairs of the Audit Committees have confirmed this is the first time an investor has asked to engage directly with them. Following the success of our meetings last year with the chairs of audit and risk committee we were satisfied with the quality of chairs. We continue to engage with chairs of audit and risk committee for new holdings and holdings where our holding size has increased. This stewardship activity has been important over the last year to monitor the quality of the audit and risk committee, build the relationships necessary to engage positively with the companies, and we see continued value in selectively commencing these reviews in conditions outlined above.

Overboarded Directors:

In November 2021, we conducted another thematic review, we assessed whether any Directors of our investee companies could be considered to be overboarded under the guidance of the 2018 UK Corporate Governance Code; we also included discretional considerations concerning the size of companies and the sectors they operate in.

Directors need to provide both sufficient time and energy in order to be effective representatives of shareholders' interests and properly discharge their responsibilities. We measured the commitments of the 1,144 Directors. 85 letters were sent out to companies where we queried whether Directors were overboarded. By the end of 2021, we had received 24 responses and conducted two meetings. In 2022 we met with a further two companies where we felt it was of value to arrange a meeting. This review resulted in us having clearer data on directors' appointments, and we monitor directorate level changes in our holding companies on an ongoing basis. This means when it comes to voting for or against re-election of directors at AGM's, we are able to refer to the data we have collected and this can then feed into discussion on individual re-election resolutions.

Cost-of-living:

During the fourth quarter of 2022, Slater Investments engaged with a number of companies on the cost-of-living crisis. This issue, which historically may have been viewed as outside the realm of an employer's responsibilities towards their employees, is now considered a crucial element of the ESG umbrella. It is of great importance to Slater Investments that all of its portfolio companies work toward the goal of ensuring their employees earn a living wage. Slater Investments believes it is important management show leadership and take action on such issues where necessary.

One such company which Slater Investments engaged with on this issue was Marston's Plc ("Marston"). Marston operates in the pub retailing industry and employs a significant number of individuals earning minimum, or close to minimum, wage. During a meeting with the company in December 2022 the cost-of-living crisis was a topic of discussion. The Chair of Marston's Remuneration Committee acknowledged their awareness of paying close to minimum wage in certain parts of the business and recognised the role the Remuneration Committee played in addressing this issue. In their preliminary results, released in December 2022, the company detailed a one-off cost-of-living supplement payment to be made to their lower paid salaried employees in January 2023 in addition to their annual pay review. Slater Investments were supportive of such actions.

The same issue was discussed with the Chair of the Remuneration Committee, and Group Head of Reward at TT Electronics plc ("TT"). In a meeting with TT in November 2022, management made clear they had been proactive on this issue and, at the time of our meeting, were in the latter stages of discussions around actions to assist those employees identified as being most vulnerable to the cost-of-living crisis. Again, Slater Investments was supportive of such actions.

Moving forward we will continue to monitor what companies do in response to the cost-of-living-crisis.

Remuneration:

In addition to addressing the cost-of-living crisis, Slater Investments also continued to engage with companies on the topic of nil-cost options as a part of executive remuneration. In October 2022, Kin & Carta plc ("K&C") provided an update following an initial consultation with some of its largest shareholders regarding their remuneration policy proposal, which included the continued use of nil-paid options. Members of Slater Investments ESG Committee met with the Chairman of the Remuneration Committee and Company Secretary in December 2022 to discuss this policy. Slater Investments expressed its opposition to the use of nil-cost options as a means of incentivising management. K&C has shown a willingness to consider Slater Investments perspective and engage in further discussions on this topic. Slater Investments considers this engagement to be ongoing.

Newly listed Lords Group Trading plc updated their key executive remuneration policy during the year. We are one of the largest shareholders and were consulted on the matter, restating our view on remuneration to the company. We were pleased to see the proposal was cognisant of previous conversations surrounding the use of nil-cost options.

RPS Group plc similarly engaged with us regarding their new Long-Term Incentive Plan ("LTIP"). However, we were unable to support this proposal as, contrary to the IA's Principles of Remuneration, the policy failed to align incumbent directors' pension contributions with the wider workforce by the end of 2022.

ESG Disclosure:

Slater Investments also continued to engage with companies on their ESG disclosure responsibilities. As the reporting requirements for companies in which Slater Investments holds investments continues to evolve, Slater Investments sees itself playing a positive role in guiding these companies on which aspects of ESG issues are most material to their businesses. During the latter part of 2022, Slater Investments engaged with Polar Capital Holdings plc and Liontrust Asset Management PLC on ESG disclosure reporting. Engagement with these and other investee companies is viewed as an ongoing measure that can help these companies stay informed and adapt to changes in the ESG reporting landscape.

Shareholder engagement with the Board of Serco PLC during the first and second quarter of 2022 was positive. Parts of the company were exposed to certain sectors which were typically excluded by SFDR Article 9 investors.

The executive team adapted their strategy and reporting accordingly. The use of nil-cost options in their remuneration policy continued to be a sticking point, and Slater Investments has engaged further with the Chair of the Remuneration Committee on this matter.

Environmental:

In August 2022, representatives from the Investment Committee met with the Chief Executive Officer and Head of Investor Relationship of Diversified Energy Company plc ("Diversified Energy"). The company is making great progress on its methane reductions and has recently issued five Asset Backed Loans. Of those, three have ESG labels where the cost of debt is tied to their emission reduction targets. ESG friendly loans provide economic methods for financial institutions to continue to develop the industry, an approach Slater Investments values over less effective divestment. Slater Investments also discussed Diversified Energy's capability for plugging finished wells. The work done complements Diversified Energy's strength and will help the company continue to flourish. Given the nature of Diversified Energy's industry, Slater Investments will continue to closely monitor the situation and, where required, engage in with representatives of the company.

PRINCIPLE 10
Collaboration

In certain circumstances, we may partake in collaborative engagement with other institutional investors if we believe this will lead to a more positive outcome. However, before deciding to do so, we consider a range of factors including, but not limited to:

- whether or not collaborative engagement is likely to be more effective than independent involvement;
- the size of our holding;
- the extent to which the objectives of the other investors are aligned with our own; and
- Slater Investments's conflict of interest policy as well as regulatory requirements, such as market abuse and insider dealing considerations.

If we do partake in collaborative engagement, we will always ensure that we speak for ourselves and do not rely on others to take responsibility for articulating our views. Our engagement on RQIH Insurance Holdings Ltd detailed above is a prime example of our approach to collaborative engagement. Originally, our engagement with the board of RQIH started as one-on-one engagement but very quickly escalated into collaborative engagement (please read the Principle 9 engagement/case studies for further details of this engagement). Escalation in this case consisted of engaging with directors of the company and a significant number of shareholders. As we learnt more about what preceded this takeover bid, and the structure of it we became increasingly concerned which is what lead to the escalation.

We felt that funding requirements offered by management as a case for the approval of the takeover bid were not adequately discussed with current shareholders prior to recommending the takeover as a solution for these requirements. We were also concerned that management incentives contained within the structure of the deal could have improperly influenced managements objectivity with regard to the merit of the deal. This adequately fulfilled our criteria for engagement, and the ensuing engagement was successful in raising awareness of these concerns, eventually leading to the bid to be withdrawn.

In both the Slater Investment 2020 and 2021 Stewardship Code Report, we noted that investee company Dotdigital Group PLC ("Dotdigital"), of which we are one of the largest shareholders, engaged with us regarding their proposed new Long-Term Incentive Plan ("LTIP"), which we could not support.

Upon voicing our concerns to the company, we were surprised to be told we were the only shareholder to have had raised any concerns. We wrote to the other nine largest holders in December 2020 asking them if this was the case. Disappointingly, we did not receive any responses from other shareholders. Again, this is despite many of these institutional investors professing to regular collaborative engagement with fellow shareholders. The remuneration report was passed at Dotdigital's 2021 AGM.

In 2022 the company continued to incorporate nil-cost options in its remuneration package and again the remuneration report was passed at the company's 2022 AGM. We consider this engagement ongoing in particular as the 2023 AGM season falls into the standard three-year cycle for remuneration policy approvals.

We spent time engaging with other major shareholders of Palace Capital PLC. We believed that the Non-Executive Chairman had been in situ for too long and was no longer complying with the 2018 UK Corporate Governance Code. Through our work with the other shareholders, the Chairman agreed to step down and a new Chairman has been found (Please read Principle 9: engagement/case studies for further details of this engagement). Another aspect of our engagement was the company's holding in Circle Property PLC, where they had 5% interest. After a consultation with ourselves and other shareholders, management agreed that the holding should be sold and that they would consider a buyback of their shares.

The companies holding in Circle Property PLC was sold in 2021 generating a return of 8.6%. We continued to engage with Palace Capital through 2022 on their strategy. We believed the company should focus on reducing central costs and initiating a share buyback programme and expressed this view to the CEO and Chairman of the Board and discussed a path to achieve these measures. We were pleased to see that in July 2022 the company made an announcement that they were considering measures to address its high cost base as a proportion of its rental income, as well as announcing the commencement of a share buyback programme.

PRINCIPLE 11
Escalation

We prefer to engage with our investee companies confidentiality as this allows for the frank exchange of views that is essential to bring about the desired change. We have found companies to be much more receptive when we approach them directly, working with them and not against them. Engagement in the public domain should only ever be a last resort, such an extreme step can sour the more productive relationships we have spent so long building with management. However, we would never rule this out.

Escalation is neither something we are impulsive about nor something we shy away from. We plan for meetings to be with the relevant people who have the appropriate authority to be able to have productive discussions where progress can be made through that person. Therefore, ideally escalation should not be necessary. Escalation is warranted when progress halts without adequate justification or communication or when discussions become unproductive and can entail seeking to communicate with alternative executives, engaging with other stakeholders, or submitting shareholder resolutions.

Escalation is normally conducted by the Investment Committee and/or ESG Committee, and may involve meeting with the company's Chairman and/or senior independent director, the executive team, other shareholders and/or company advisers.

We may also speak to senior independent directors or other non-executive directors and other shareholders. The extent to which we might expect change will vary, depending on the nature of the issue. In any event, we expect companies to respond to our enquiries directly and in a timely manner.

Case Study:

Alliance Pharma Plc ("Alliance"):

In May 2022, Alliance announced the Chairman of the Board would be stepping down from his role and one of the existing NEDs would be stepping into the Chair position following the 2023 AGM. The company was facing a number of challenges; a long running Competition and Markets Authority investigation (and subsequent appeal) into the company, issues with their most successful product being counterfeited in China and the loss of a significant discount store account for another of their main products. We felt these issues had exposed serious weaknesses at the board and executive level. The CEO had stepped away from his position on long term leave, with the Chief Financial Officer stepping into the role temporarily. We felt the issues in China exposed a lack of understanding of the Chinese market. Most concerning for us was losing a significant discount store account where we felt from discussions with us they had not adequately understood the business model of the retailer with whom they were partnering.

We met with the proposed Chair in December 2022. We concluded after our meeting that the proposed Chair, being an existing Board member, was not the right choice.

Through December 2022 we met with additional shareholders who shared our concerns and in late December 2022 we felt it was appropriate to escalate this engagement and so wrote to the Chairman of the Board to express our views. This information was also shared with the company's nominated adviser. We consider this engagement ongoing and will report on this further in our 2023 report.

PRINCIPLE 12
Exercising Rights and Responsibilities

Voting:

Exercising our voting rights is the most powerful tool we have. It is the one absolute way in which we can hold companies accountable. All proxy votes for our companies are assessed in-house by our ESG Committee in conjunction with our Investment Committee. We do not subscribe to, nor do we receive, voting recommendations from third-party voting services.

Voting is undertaken at a firm level in accordance with our Voting Policy ("Policy"), which is publicly available on our website. Rare instances where this process could lead to a conflict of interest at Fund level have previously been addressed in the 'Conflicts of Interest' section of this report.

Slater Investments's investment process specifies that we invest in companies which are well managed with high standards of corporate governance and sound management teams. It is Slater Investments's policy to engage actively with the management of investee companies to monitor their performance, strategy, risk, governance, culture, ESG activities, sustainability efforts, and remuneration to ensure that they meet our standards. We are committed to always act in the best interest of the Funds and our Clients and we expect the same from the management of portfolio companies. Slater Investments will usually vote in favour of company management except in cases where it feels that a company is not acting in the best interest of its shareholders. In these cases, Slater Investments will vote against resolutions.

Slater Investments's voting policy includes a list of rules. Where these rules are breached we will vote against the respective resolution. These rules are:

- No funding of political parties or organisations.
- The remuneration report and policy should be clear and concise.
- No use of nil-paid or nominal cost share options in the remuneration structure.
- Non-Executive directors should receive only a flat fee.
- Executive Director pension contributions should reflect that of the companies' wider workforce as soon as practicably possible.
- No power for Directors to allot shares, especially without pre-emptive rights, unless there is specific/express permission from current investors on a case-by-case basis.
- In accordance with corporate governance guidelines, Directors should not be overboarded.
- Executive Directors' service contracts should be no longer than one year.
- Non-Executive Directors' service contracts should be able to be terminated with no more than one month's notice.
- Slater Investments pays particular attention to acquisitions and disposals and is prepared to vote against value destructive acquisitions or disposals.

The Slater Investments ESG Committee are responsible for ensuring that all company meetings are voted for in accordance with the voting policy. If the resolution falls outside the scope of the policy this is reviewed and, if required, escalated to the Fund Manager. All investee company holdings are recorded with Broadridge Financial Solutions and Institutional Shareholder Services ("ISS") from information provided by the custodians. Broadridge and ISS provide portals on their respective platforms, through which Slater Investments can monitor forthcoming meetings and vote as it chooses. For clients whose custodians are not part of Broadridge Financial Solutions or ISS, Slater Investments sends voting instructions directly to custodians and/or the meeting registrars.

Scope

We vote via proxy at every shareholder meeting, regardless of the size of our investment.

The below table provides a summary of all our voting instructions across all companies held by Slater Investments on behalf of the clients we advise and manage during 2022:

Meetings	
Total number of meetings voted at	140
Total number of resolutions voted on	1,634
Number of resolutions where we voted with management	1,187
Number of resolutions where we voted against management	446
Number of resolutions where we abstained	1
Number of resolutions where we voted against our voting policy	15

Votes Against Management

Overall, 91% of votes against management recommendations resulted from resolutions which fell into four main categories.

36% related to the disapplication of pre-emption rights;
23% related to the power for Directors to allot shares;
16% related to Director remuneration;
16% related to (re-)election of Directors;

1) Disapplication of Pre-Emption Rights and Share Allotment

This category accounted for 59% of our votes against management. Pre-emptive rights give existing shareholders the opportunity to buy additional shares in any future issue of a company's common stock before the shares are made available to the public. The disapplication therefore removes this right. To protect shareholders against dilution, we do not believe disapplying pre-emption rights should be commonplace nor at management's constant discretion.

In the second quarter of 2021 we updated our Voting Policy to include a blanket voting against the power for Directors to allot shares, even without the disapplication of pre-emption rights. We do not believe Directors require such a general authority. If there is a business case this can duly be presented to investors.

2) Remuneration

This category accounted for 16% of our votes against management. We prefer to see simplistic remuneration reports and accompanying policies. Any overcomplication dilutes their ability to properly incentivise management over the long-term. We support management teams of investee companies that we think are doing an excellent job. However, the quantum of awards to executive directors has spiralled recently, in many cases it has become customary for executive directors to receive a handsome salary, plus the same again in cash bonus and a similar amount in nil-cost options; year on year.

In our engagement with certain Remuneration Committees on this topic, we have rarely felt their stance was justified. Most have excused themselves of the decision-making responsibility, instead hiding behind the principle of "best practice" as this format is commonplace across the market. In most cases, we vote against any remuneration policy we consider excessive, overcomplicated or that contains the use of nil-cost options. The latter being a remuneration structure much more aligned with a cash-strapped start-up than an established profitable company.

3) Director Elections

This category accounted for 16% of our votes against management. Beyond case-by-case decisions, we vote against the re-election of NEDs who preside over director remuneration policies that we disagree with. We also retain the list of Chairs of Remuneration Committees who chose not to engage with us when they were sent our open letter on nil-cost holdings, and have been voting against their re-elections on the grounds of poor shareholder communication.

Votes Against Policy

Through 2022 there were a total of 15 resolutions where we voted against our voting policy. This consisted of seven votes to authorise directors to allot shares, seven votes for authorising the disapplication of pre-emption rights, and one abstention on the approval of a remuneration report.

During the second quarter there was one notable meeting where we voted in favour of authorising Directors to allot shares, totalling one resolution.

We participated in the capital raise and therefore supported the allotment of new shares in accordance with existing pre-emptive rights:

- Duke Royalty Ltd – Authority to allot shares (link).

Also in the second quarter there were two votes against our policy with regard to authorising the disapplication of pre-emption rights. Both companies engaged with us prior to their meetings and adequately explained the rationale for the resolutions' inclusions. Both management teams also assured us that our pre-emptive rights would be respected.

- Jubilee Metals Group PLC – General Meeting (link).
- Journeo PLC – Annual General Meeting (link).

In the third quarter there was one notable meeting where Slater Investments voted in favour of authorising Directors to allot shares and for the disapplication of pre-emption rights, totalling two resolutions. Both resolutions occurred at a general meeting in connection with RQIH's placing and direct subscription of new ordinary shares. This meeting and Slater Investments vote was the culmination of Slater Investments continued engagement with RQIH in respect of a previous failed recommended cash acquisition, as noted above, and therefore management were supported. Consequently, Slater Investments voted against its Voting Policy.

- R & Q Insurance Holdings Ltd – Authority to allot shares (link).

During the fourth quarter there were five notable meetings where Slater Investments voted in favour of authorising Directors to allot shares (5) and for the disapplication of pre-emption rights (4), totalling nine resolutions. These were meetings where Slater Investments was made aware of the intended use of capital either in discussions with the company prior to the event, or a *use of proceeds* section published as part of the meeting documentation. The respective companies were Avation PLC ("Avation"), Kape Technologies PLC ("Kape"), Jubilee Metals Group PLC ("Jubilee"), AMTE Power Plc ("AMTE"), and Next Fifteen Communications Group plc ("Next Fifteen").

In the case of Avation this represented the culmination of positive engagement in the prior year. In November 2021, Slater Investments had voted against resolutions proposed by Avation in relation to the authorisation for directors to issue equity and do so without pre-emptive rights. Before this, in October 2021, in a meeting with a NED, and member of the Audit Committee at Avation, Slater Investments outlined the view that, in line with the Company's voting policy, directors should not have blanket permission to issue equity, especially when pre-emption rights were disapplied. We emphasised to the company that providing an accompanying proposal outlining the reasons for any equity issuance would allow all shareholders to make an informed decision on such matters. At Avation's Annual General Meeting ("AGM") in December 2022, resolutions were proposed granting authority to the directors to allot shares without pre-emptive rights. In line with our previous discussion with the company, they included an accompanying *use of proceeds* section.

We considered the issuance and accompanying use of proceeds section to be in the best interest of shareholders and, therefore, voted in favour of the respective resolutions, which was against our voting policy.

These resolutions were subsequently passed. Slater Investments was pleased with the results of this engagement which had resulted in giving all shareholders the ability to better evaluate the equity issuance resolutions. We continue to stress the importance of such practices to other investee companies and hope to see more of this in the future.

- Avation PLC – Authority to allot shares (link).

In the case of Kape, the company outlined their reasons for a proposed fundraise. Kape has a record of positive acquisitions and expressed this capital would allow them to accelerate growth through further acquisitions. Slater Investments felt there was a strong business case for the proposed fundraise and chose to take part in the placing in October 2022. Therefore, Slater Investments voted against its policy and the respective resolutions were passed.

- Kape Technologies PLC – Authority to allot shares (link).

For the remaining three meetings, the resolutions related to; broad authority for Directors to allot shares at Jubilee, a proposed convertible bond facility at AMTE, and a proposed acquisition at Next Fifteen.

Whilst not taking part in the respective events, Slater Investments felt all three of these resolutions were in the best interest of the companies, therefore voted against its policy, and in favour of the resolutions. The resolutions from Jubilee and AMTE consequently passed with our support, whilst the one resolution relating to Next Fifteen did not receive the necessary support from shareholders.

- AMTE Power Plc – Authority to allot shares (link).
- Next Fifteen Communications Group plc – Authority to allot shares (link).
- Jubilee Metals Group PLC – Authority to allot shares (link).

There was one abstention during 2022. This related to AMTE's AGM and a resolution to approve its Remuneration Report in December 2022. Slater Investments identified two issues within the Report related to NED remuneration which contravened Slater Investments voting policy. In particular, NEDs receiving pension contributions in addition to a flat fee, and NED notice periods being greater than one month. It is Slater Investments's view that NEDs should receive only a flat fee so as not to interfere with their impartiality towards the company, and NEDs should have no more than one months' notice as it is excessive and needlessly slows changes to board composition. Slater Investments chose to engage with the Chair of the Remuneration Committee at AMTE on these issues expressing the view that these policies were unusual for a company such as AMTE and did not align with Slater Investments voting policy. Through correspondence, the Chair of the Remuneration Committee confirmed these issues would be reviewed by the Board.

In this instance Slater Investments felt it was most appropriate to abstain on this resolution.

- AMTE Power Plc – Director Remuneration (link).

Voting Reports

An archive of our historic Voting Reports are publicly available on our website.

Monitoring & Process

The ESG Committee is responsible for monitoring all voting requirements. Holdings in the companies we own are recorded with Broadridge and ISS from information provided by the custodians, with daily stock reconciliations performed by Slater Investments Operations Department. Slater Investments does not participate in stock lending.

Broadridge and ISS provide portals on their respective platforms, through which Slater Investments can monitor forthcoming meetings and vote as it chooses. For clients whose custodians are not part of Broadridge or ISS, Slater Investments sends voting instructions directly to custodians and/or the meeting registrars. Slater Investments also subscribes to all investee company Regulatory News Service feeds to monitor meeting notices.

CONCLUSION

As we continue to strive for excellence in serving our valued clients, we recognise the importance of constantly evaluating and improving our operations. The implementation of the Code in 2020 provided us with the opportunity to review our practices against the defined principles. From that we have undergone a process of learning, adaptation, and refinement in our approach to stewardship and this developmental process continues.

Through 2022, we have been able to leverage our learnings and experience to be more strategic and astute in enhancing our approach to stewardship.

Despite the constraints of operating as a firm of our size, we have worked diligently to enhance our stewardship, engagement and reporting where improvement was identified. This will continue into 2023.

We are proud of the progress we have made in 2022 and remain committed to continuing our efforts to drive positive change in line with our approach to stewardship. As Slater Investments continues to pursue long-term sustainable value creation, we will remain dedicated to staying at the forefront of best practices and delivering the best possible products and services to our clients.

APPENDICES

Principles of the UK Stewardship Code 2020

The Principles of the Financial Reporting Council's UK Stewardship Code 2020 for Asset Owners and Asset Managers:

Purpose and Governance	
1)	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
2)	Signatories' governance, resources and incentives support stewardship.
3)	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
4)	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
5)	Signatories review their policies, assure their processes and assess the effectiveness of their activities.
Investment Approach	
6)	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7)	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8)	Signatories monitor and hold to account managers and/or service providers.
Engagement	
9)	Signatories engage with issuers to maintain or enhance the value of assets.
10)	Signatories, where necessary, participate in collaborative engagement to influence issuers.
11)	Signatories, where necessary, escalate stewardship activities to influence issuers.
12)	Signatories actively exercise their rights and responsibilities.

Important Information

The views expressed are the authors own and are not considered to be investment advice.

This document does not provide, and should not be relied on for accounting, legal or tax advice, or investment recommendations. For more information on the Slater Investment Funds or the risks of investing, please refer to the most recent Fund factsheets, Prospectuses or Key Investor Information Document (KIID), available on our website at slaterinvestments.com.

Portfolio characteristics and holdings are subject to change without notice. This does not constitute an investment recommendation.

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