

VOTING AND ENGAGEMENT ACTIVITY

Welcome to your Quarterly Report's Engagement Activity section. We engaged with several companies over the quarter, examples of which we give below.

The summaries below are based on our internal research and analysis through engaging with each company on what we consider to be their material issues. The information has been included to evidence our ESG integration process. In each case, it is our view being presented and the information should not be relied upon.

The resiliency scores of "high", "average" or "low" provide a simplified indication of the more detailed scoring system we apply as part of our investment process.

The conviction scores provide a general indication of any changes in the absolute conviction levels we have in a particular holding. We use a sliding absolute scale in our investment process and scores of "higher" or "lower" in this report do not necessarily translate to "high" or "low" absolute conviction scores. The changes noted in this report reflect a change in conviction based on the recent quarter, which might not result in a change in weighting, especially if we expect further progress on engagement issues.

A.P. Moller – Maersk

We met twice with Maersk, the Danish integrated shipping company in Q1 2021. In February, we spoke with the group's CEO and CFO and in March, we met with the group's sustainability team.

Investment rationale

As the world's largest shipping company, Maersk owns ports and other logistics businesses. The container shipping industry has consolidated materially over the past few years, leading to more rational behaviour with very low supply growth. There is growth potential in terms of scale and margin expansion for the remaining larger players, especially post Covid-19 due to increased economic activity, large amounts of monetary and fiscal stimulus, and a lower oil price. Maersk could also capitalise on its superior technology and administrative services for shipping.

Areas of engagement	Potential impacts
Operational (shipping demand, pricing, bundling services)	Financial and social
Carbon reduction	Financial and environmental
Transparency on key, material issues and management of these exposures	Financial, social, environmental, and governance

Objectives

- To encourage the group to press ahead with finding ways to reduce its carbon emissions
- To get a sense from management on the opportunities for Maersk to become more of a logistics provider
- To understand how Maersk is managing the current, volatile demand environment

Key issues and discussion

1. Risk that the demand for shipping doesn't return post Covid-19

Maersk saw extraordinary demand growth in Q4 2020 after many large leisure/lifestyle customers reduced their orders in mid-2020. Many Maersk customers found themselves without products on shelves and had to restock at the same time as underlying demand increased in Q4. Maersk has a good view of shipping demand 2-3 months ahead and has undertaken scenario modelling on demand levels for the rest of the year. The group forecasts healthy demand for goods and services as the world opens up after lockdown.

2. Risk (reputational) and opportunity (financial) with spike in shipping rates

Shipping rates have spiked over the last year due to shipping container shortages on the back of the global pandemic (and due to Brexit in the UK). Maersk is uncertain as to how quickly shipping rates will reduce but believes they will eventually return to a more normal level. Maersk added that governments generally

understand that the current environment of high rates is due to a confluence of pandemic-related issues, rather than any attempt at price gouging by the shippers.

3. Risk that Maersk Flow and other supply chain management products don't boost growth

Maersk reports that, counter-intuitively, the pandemic has been helpful for its transformation as a full-service provider. The market downturn has shown customers the benefit of dealing with carriers that own the assets, rather than an intermediary. Maersk is working to integrate all of its services, including warehousing space, shipping, and inland transportation onto the same platform/group website to enhance the customer experience. Maersk is making good progress with this.

4. Risk that the group is hindered by technical advances to reduce its carbon emissions

Ocean based shipping is a carbon intensive business. Maersk is taking a number of steps to reduce its carbon footprint. While zero-carbon ship orders are still several years away, Maersk is investing R&D into finding greener shipping fuels and is helping to fund a research facility for this purpose. The group also plans to begin purchasing ships that can switch between fuels to help transition their fleet to using more sustainable energy, such as ammonia. Maersk also aims to retrofit existing ships with this capability.

Our requests

- In December 2020, we asked Maersk to improve its disclosure on its key, material issues and how the group is managing these areas.

Outcomes

- Maersk has provided better disclosure in its sustainability report, including improved coverage of its carbon emissions and energy transition plans, which is a positive step.

Escalated issue(s): None

Any impacts on proxy voting: No

Resiliency score: Above average

In a commoditised industry, many risks and opportunities lie outside Maersk's immediate control. However, we believe Maersk is the best company in its sector and has the skilled management team and issue management ability in place to perform well, going forward.

Conviction score: Unchanged (during the quarter)

The group retains a strong balance sheet, proactive management approach and its shares trade on an attractive valuation.

St James's Place (SJP)

We engaged with the CFO of SJP, the largest UK wealth management financial advisory in February 2021.

Investment rationale

SJP currently has around 15% market share and benefits from the structural demographic drivers towards financial advisors. These drivers include greater personal responsibility in managing investments, the shift from DB to DC pension schemes, inter-generational transfer of assets, and greater pension freedoms. SJP is also the largest trainer of financial advisors. The group targets 10% growth in net flows per annum and £200bn in funds under management (FUM) by 2025.

Areas of engagement	Potential impacts
Operational, capex, asset gathering	Financial

Key issues and discussion

1. Risk that the group's capex on tech and back office doesn't positively impact sales

We've engaged SJP consistently on how we would like to see the benefits of the group's technology and back-office investments translate back to increased operational leverage, which in turn, will translate into cash flow growth. SJP committed in its recent full year results to reduce cost growth from 9% to 5% and to reach breakeven levels by 2025 for its investments in Asia and Discretionary Fund Management (DFM).

2. Risk that executive compensation is not aligned with shareholders' interests

Management are incentivised against embedded value key performance indicators while the market and investors are focused on cash generation. We suggested greater alignment might be achieved by a combination of incentives linked to embedded value and cash generation.

Our requests

- We previously asked in meetings that management show a disciplined approach and moderate operating expense growth to allow gestation FUM income to flow through to shareholders with greater operating leverage. This might seem like an odd request, but financial advice is a people-intensive business and management always planned for higher growth than was realised – partly due to the headwinds of the political and economic (Brexit/Covid-19) backdrop. In essence, we took the view that the costs associated with the assets in gestation (i.e. waiting to start paying fees) have already been incurred by shareholders, so it's important to show some discipline/operating leverage to reward shareholders for funding that growth six years ago.
- We asked that SJP demonstrate the benefits of sustained, below the line investment in back-office systems.
- We also requested that management share their planning assumptions for return on their investments in Asia and DFM.

Management have listened to and acknowledged our requests.

Escalated issue(s): None

Any impacts on proxy voting: No

Resiliency score: Above average

SJP has the unusual feature of around 40% of FUM not currently generating fees. However, this FUM will generate fees over the next six years. This gives unique visibility of income growth which, combined with tight cost management, gives management control over the cash generation of the business.

Conviction score: Unchanged (during the quarter)

Our conviction in SJP stems from the long-term structural drivers which underpin growth and the scale and competitive positioning of the partnership/franchise model. We take some incremental confidence from the commitment to deliver the operating leverage we anticipated in the coming years.

VOTING RECORD SUMMARY

Please see below a breakdown of the meetings and resolutions which pertain to your portfolio. Majedie's Proxy Voting Principles document can be found on the Responsible Capitalism section of our website.

SUMMARY	VOTES	PERCENT
Number of meetings voted at this period	16	
Number of resolutions	206	
Where we voted in line with Management	191	92.7
Where we have not voted in line with Management	15	7.3

Source: Majedie, ISS (Institutional Shareholder Services)

The table below is a breakdown of the number of resolutions where we have either voted against Management or abstained.

CATEGORY	AGAINST MANAGEMENT	ABSTAIN
Antitakeover Related	0	0
Capitalization	0	0
Directors Related	3	0
Non-Salary Comp.	2	1
Preferred/Bondholder	6	0
Routine/Business	4	0
Total	15	1

Sources: Majedie, ISS (Institutional Shareholder Services)

VOTING RECORD DETAILS

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
A J BELL	27 Jan 2021	AGM	Voted for all
AMINEX	18 Feb 2021	EGM	Voted for all
AVON RUBBER	29 Jan 2021	AGM	Against Resolutions 2, 13
BREWIN DOLPHIN HOLDINGS	05 Feb 2021	AGM	Against Resolution 14
CAIRN ENERGY	08 Jan 2021	EGM	Voted for all
CARETECH	09 Mar 2021	AGM	Voted for all
COMPASS GROUP	04 Feb 2021	AGM	Against Resolution 17
DIPLOMA	20 Jan 2021	AGM	Abstain on Resolution 11
HOLLYWOOD BOWL	29 Jan 2021	AGM	Voted for all
SHANTA GOLD	24 Mar 2021	AGM	Against Resolutions 4, 9, 10
SPEYMILL DEUTSCHE	05 Jan 2021	AGM	Voted for all
STOCK SPIRITS	04 Feb 2021	AGM	Voted for all
TESCO	11 Feb 2021	EGM	Voted for all
TULLA RESOURCES	09 Mar 2021	EGM	Withhold on Resolutions 1, 2, 3, 4, 5, 6
WATKIN JONES	19 Feb 2021	AGM	Voted for all
WH SMITH	20 Jan 2021	AGM	Against Resolution 13

Source: Majedie