Canaccord Wealth engagement report 2024

01 January 2024 to 31 December 2024

Canaccord WEALTH

Canaccord Wealth process

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

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

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

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

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

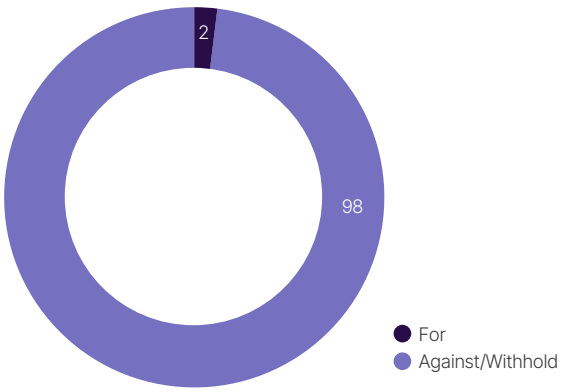
Where necessary and proportionate, we will escalate our concerns in a more formal manner. In the first instance, this engagement will be channelled through the relevant investor relations function within the investee company (or in their absence, their delegated corporate access agent) or their nominated corporate advisor. From then onwards, escalation is taken up to senior management either verbally or in writing and, if necessary, would be escalated to the Chair of the Board. We would aim to raise our concerns in advance of voting on the issues in order to give companies a chance to respond or resolve the issues. An escalation policy is in place as part of our shareholder voting and engagement process. Each case has different sets of circumstances and therefore our means of escalating and action taken will be dependent on the individual case.

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

Canaccord Wealth voting

Breakdown of voting statistics

During the period, we voted on 1748 resolutions across 114 meetings. We voted in favour of management proposals in 98% of circumstances and either against the proposal or abstained in voting for 2% of cases.



Full details of our votes are available on request.

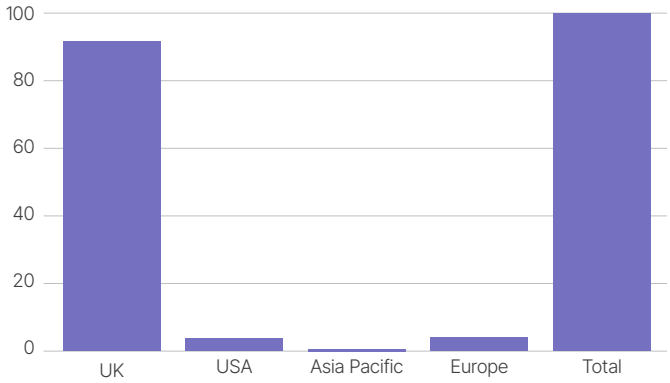
Breakdown of meetings by sector

As shown in the table and graph below, in total, we voted on proposals across 12 different sectors, with the largest sector being Investment Trusts at 30.7%.

Meetings by sector	Percent
Comm. Services	**1.8%**
Consumer Discr.	**3.5%**
Consumer Staples	**7.9%**
Energy	**1.8%**
Financials	**13.2%**
Healthcare	**9.6%**
Industrials	**14.0%**
Information Technology	**9.6%**
Investment Trusts	**30.7%**
Materials	**4.4%**
Real Estate	**1.8%**
Utilities	**1.8%**

Breakdown of meetings by geography

A large majority of votes were on companies in the UK and Crown Dependencies, with some votes within the US, Europe and Asia Pacific but considerably less.



Case studies of company engagement

Ashtead Group

We were initially looking to vote against the proposal to approve their remuneration policy as well as their amendment to their Long-Term Incentive Plan, both due to the extent of the proposed changes to US-based executives' pay packets being deemed too excessive. After engaging with the company secretary and investor relations team, they outlined the fact that they are a US business albeit UK listed and their proposed changes were competitive yet fair, remaining in the lower quartile vs US market levels. They also noted their strong performance in the 10 years since the current CEO was hired and the need to retain their most senior staff in order to ensure their performance continues. We felt that this was a sufficient reason to amend our initial intentions to vote against management and to vote for the resolution in this instance.

AstraZeneca

We also engaged with the AstraZeneca investor relations team with regards to the approval of their remuneration policy and performance share plan, as under the new policies, the new LTIP maximum was significantly above the company's peers. However, when speaking to AstraZeneca's investor relations team they highlighted the need to remain competitive within the US, on top of the fact they are performance-based payments and would need to be satisfy stretch targets across science, finance and sustainability. After considering the above we agreed to amend our votes based on the need to remain competitive in the global market.

Hardide

Our initial intentions with Hardide's AGM were to vote against the resolution to issue equity without pre-emptive rights, exceeding the recommended 20% limit. After speaking with the non-executive Chair, he shared that the company might not survive without additional shareholder support and raising the limit to 20% would allow for significant fundraising. A full rights issue would be too costly and time-consuming, and they would consult shareholders before exercising such authorities. They plan to revert to normal pre-emption levels as business improves. Again, we thought that this was fair reasoning taking into account the company's size and market share and amended our intentions to vote in line with management.

Amazon

There were 10 resolutions that we were looking to vote against, ranging from the election of directors, the quality of company reporting/disclosures and the approval of remuneration plans and policies. We reached out a number of times asking for their reasoning behind their decisions and whether they were looking to amend their decisions, escalating to the Chief Investment Officer, but found that we unable to contact them. As such, we voted against management for the below resolutions:

Resolution number	Proposal
1d	Elect Director John L. Hennessy
1e	Elect Director Frances H. Arnold
1g	Elect Director L. John Doerr
1i	Elect Director K. Ram Shriram
1j	Elect Director Robin L. Washington
8	Report on Lobbying Payments and Policy
9	Approve Recapitalization Plan for all Stock to Have One-vote per Share
12	Report on Risks Related to AI Generated Misinformation and Disinformation
13	Publish Human Rights Risk Assessment on the AI-Driven Targeted Ad Policies
14	Adopt Targets Evaluating YouTube Child Safety Policies

Full reasonings available on request.

LVMH

Like Amazon, there were also several resolutions we were looking to vote against management for LVMH. We reached out on numerous occasions, again, escalating from the Chief Investment Officer, but did not receive a response from them. As such we voted against management for the below resolutions:

Resolution Number	Proposal
4	Approve Auditors' Special Report on Related-Party Transactions
5	Reelect Antoine Arnault as Director
7	Elect Alexandre Arnault as Director
8	Elect Frederic Arnault as Director
10	Approve Compensation Report of Corporate Officers
11	Approve Compensation of Bernard Arnault, Chairman and CEO
12	Approve Compensation of Antonio Belloni, Vice-CEO
14	Approve Remuneration Policy of Chairman and CEO
15	Approve Remuneration Policy of Vice-CEO
18	Authorize up to 1 Percent of Issued Capital for Use in Restricted Stock Plans

Full reasonings available on request.

ESG integration

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

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

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

Goal

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

Methodology for direct equities

1. Initial set-up process

a) Where MSE Globe Rating is available

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

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

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

Rating of 2 Globes or higher:

- No immediate action will be taken.

b) Where MSE Globe Rating is not available

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

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

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

2. Monthly reporting

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

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

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

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

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

3. Adding a stock to the equity approved list

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

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

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

Canaccord Wealth third party funds ESG review

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

What credentials do we look for?

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

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

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

ESG ratings assessment

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

Data limitations

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

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

General ESG ratings

	Total # approved Funds (inc. offshore equivalent strategies)	Total # without ratings 12m ago	Total # without ratings today	Total # with lowest rating 12m ago	Total # with lowest rating today
Equity Funds	167	11	11	10	9
Bond Funds	56	11	14	0	1
Alternative Funds	19	3	5	0	0
Investment Trusts	107	42	42	5	4
Passives	286	22	22	12	15

Pleasingly, more than half of our active open-ended funds were rated 'high' or 'above average' at the time of analysis, whilst those without ratings had remained static and those with the lowest ratings had improved marginally. As can be seen from the metrics, the Investment Trust sector has very limited data compared to other sectors. The key reason for this is the underlying exposure of the alternative investment trust products, which tend to be real assets such as infrastructure or private equity, and reporting lines have not been consistent. The majority of our vanilla equity investment trusts had ratings at the time of analysis (62 out of 67). Equity trusts with the lowest rating remained static (4 vs 4), and therefore, well within tolerance.

Carbon intensity

	Highest risk category* % of funds	Risk category % of funds without data	WACI scope 1, 2 and 3 better than category avg. % of funds	WACI scope 1, 2 and 3, worse than category avg. % of funds	WACI scope 1, 2 and 3 no data % of funds*
Equity Funds	0%	0%	65%	34%	1%
Bond Funds	0%	11%	52%	21%	27%
Alternative Funds	0%	11%	58%	26%	16%
Investment Trusts	0%	48%	55%	43%	2%
Passives	0%	32%	31%	47%	22%

*Carbon risk designation | Data is rounded and may not add up to 100%.

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

Passive instruments typically track markets and are thus exposed to the full extent of carbon emissions and tend to compare poorly vs active peers.

Canaccord Wealth engagement with third party fund managers

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

Example: Diageo

We engaged with significant stakeholders of Diageo given the poor performance in recent years. We sought to assess the full extent of post covid overstocking and the effects of GLP-1s on alcohol consumption.

Third party Fund Manager engagement with investee companies

During the course of our annual review process, fund managers will provide regular updates on case studies related to ESG concerns.

Example: Schroder Asian Income

Schroders engaged with 'Suncorp', an Australian Banking and finance corporation. Discussions revolved around climate related factors, particularly the need for decarbonisation efforts from investee companies, a 2050 net zero target and the importance of scope emissions.

Investment Trust board engagement

We initiated our official Board Engagement policy in July 2023. We formally engaged with the following Investment Trust Boards during 2024.

	Engagement points	Satisfactory or issues raised
Finsbury Growth & Income	Chair replacement	Satisfactory
North American Income	Transfer of Trust to Henderson	Further assessment required
Cordiant Digital Infrastructure	Annual results roadshow	Satisfactory
Bellevue Healthcare	Concerns over annual redemption policy	Initially engaged and conducted additional analysis. Unsatisfactory, led to disinvestment
Finsbury Growth & Income	Board outreach over performance	Satisfactory
Baillie Gifford Shin Nippon	Process and performance	Satisfactory
Digital 9 Infrastructure	Concerns over valuations of remaining assets	Unsatisfactory, led to disinvestment
Scottish American	Asset Allocation policy	Further assessment required
Blackrock Smaller Companies	Performance, liquidity and activism	Satisfactory
Henderson European Trust	Manager departure	Further assessment required