ABERFORTH PARTNERS

Engagement and Voting examples

Engagement

Regular engagement with board members of holdings and potential holdings is a fundamental element of Aberforth's investment process. In 2022, Aberforth conducted 398 formal meetings with executives, a number that excludes *ad hoc* interactions by phone or email. In addition to these meetings, Aberforth conducted 137 engagements with the chairs or non-executives of 74 investee companies. Some of these engagements concerned relatively complicated issues that required multiple meetings. In several cases, these engagements are on-going.

In general terms, engagement through 2022 moved away from the effects of the pandemic on companies, which had been the prevalent theme in recent years. However, other macro economic and political issues were topics of engagement. After Russia's invasion of Ukraine, the focus was on companies' exposure to these countries. Though the direct exposure was limited, indirect effects were more influential. These related to inflationary pressures brought about by higher energy costs and the localisation of supply chains. Aberforth's engagement also tested sensitivity to scenarios related to energy security and the prospect of Europe's gas supplies being reduced in the event that the war escalated.

The backdrop of higher inflation meant central banks continued their path of monetary policy tightening. The UK felt these pressures particularly acutely, which combined with the mini-budget announcement to cause a steep sell-off in gilts before the Bank of England's intervention. Through this period, Aberforth's engagement explored companies' refinancing risks and the implications for pension schemes.

Continuing the trend of 2021, the number of environmental and socially focused engagements increased in 2022. This reflects the impact of environmental and social issues on companies' stockmarket valuations. As the examples below show, engagements addressed topics such as emissions reduction targets, product opportunities linked to energy transition and the importance of corporate culture to the development of a company's value.

To record, support and target its engagement efforts, Aberforth completed a project in 2022 to integrate its ESG analysis methodology into the engagement module within its proprietary investment database. These enhancements promote consistency in the evaluation of ESG risks and opportunities and their effects on the value of investee companies. An additional benefit is that engagement objectives, activities and outcomes are recorded and aligned to the firm's ESG methodology and voting practices.

The following examples illustrate the breadth and depth of engagements conducted by Aberforth during the year.

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Example: EnQuest

EnQuest, an operator of mature oil and gas fields in the UK North Sea, was the subject of several engagements in 2022 covering environmental, social and governance issues.

- We continued our engagement on policies and targets related to emissions reduction. A 15% reduction in absolute Scope 1 and 2 emissions was achieved in 2021 through a cut to flaring and the usage of diesel on platforms. As a result of falling production and 'green' operational improvements, emissions have fallen by c.43% since 2018. This is close to the UK Government's 50% reduction target by 2030, outlined in the North Sea Transition Deal. We have encouraged EnQuest to go further by providing detail on the reduction in carbon emissions that have been shown on operated assets relative to incumbent operators. The engagement continues.
- A second stream of engagement related to the interests of external stakeholders. Refinancing risks resurfaced amid signs that creditors were reining back support for fossil fuel companies. Risks were compounded by creditors' angst on possible scope changes to the UK government's energy profit levy, which targeted recouping super-normal profits among oil and gas production companies. We engaged on the looming refinancing and learned that creditors were also expected to consider the group's plans for carbon capture in depleted oil fields and the associated capabilities in decommissioning. The group's debt facilities were subsequently refinanced successfully later in the year.
- A final stream of engagement concerned governance. High oil prices meant good progress was made on debt reduction in 2021 and 2022. Considering high interest costs and risks to the fiscal regime overseeing North Sea operations, we have engaged to advocate for further debt paydown before commencing dividend payments. This has been acknowledged by the company whose capital allocation priorities are centred on debt paydown.

Example: Energean

The company is a producer of natural gas with its major asset located offshore in Israel. Ahead of production commencing, our engagement sought to understand why there was no Israeli representation on the main board. This reflected concerns that the major external stakeholder was the Israeli government and that the nascency of the country's gas industry meant the board would benefit from an Israeli national with experience in domestic governance. The company acknowledged the benefits such an appointment might bring, though have yet to make changes to the composition of its board.

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Example: Reach

Our engagement priority in 2022 focused on liabilities related to other external stakeholders, specifically the pension scheme. We engaged to understand why the company had not been able to agree funding schedules linked to 2019 triennial valuation for the group's pension schemes. Following a programme of significant deficit recovery payments, the company is on track to close the funding deficit by 2027. If these payments are increased yet further, we believe they risk compromising the health of the business, which would have negative connotations for wider stakeholders. Whilst negotiations progressed through the year, intervention by the UK Pensions Regulator was required. At the end of the year, one of the group's six pension schemes has yet to achieve a funding resolution. Our engagement on this topic will continue into 2023.

Example: Centamin

As a gold miner in the Egyptian desert, the company's high carbon emissions are predominantly related to a reliance on diesel generators for power. We engaged with the company to understand how solar power could be used to improve environmental credentials and lower operating costs. Late in the year, the company successfully commissioned its 36MW solar farm and 7.5MW battery-energy storage system, spread over 85 hectares. This is expected to reduce diesel consumption by up to 70,000 litres per day or 22m litres per annum and promises a payback on investment of roughly three years. However, as the solar plant only represents c.25% of Centamin's annual power needs, a further project is under way to connect the mine to Egyptian grid power via a 24km power line. With Egyptian grid power generated from natural gas, hydro, solar and wind, Centamin's diesel consumption and emissions will significantly reduce over time, which should be evident in disclosures over the coming years.

Example: Helical

In the wake of the pandemic, there was widespread concern about the effects of working from home on office valuations. The share prices of property investment companies specialising in offices suffered. Through engagement with Helical, it became clear that its approach to the London office market could offset these demand concerns. The company's strategy focuses on the provision of sustainable and high quality office space that is designed to meet high environmental ratings, while providing wellbeing benefits to those using the buildings. So far, the evidence is that this emphasis on sustainability is being rewarded with higher rents in the form of a "green premium", which has yet to be reflected in the stockmarket's valuation of the company. With the logic for Helical's approach established, engagement is now turning to how the board can best access capital to take advantage of the opportunity.

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Example: Vesuvius

Vesuvius is a fascinating test case for how an industrial manufacturer can manage both the challenges and opportunities of climate change. The company's board has responded thoughtfully to regulation, notably including a carbon cost within the overall cost of capital used to assess investments. In 2022, engagement started to emphasise the competitive advantage that might accrue to a manufacturer able to help its steel manufacturing customers reduce their emissions. We encouraged management to consider quantifying what might be thought of as "Scope 4" benefits. Disclosure of such information should help highlight Vesuvius's strengths and, as others respond, could contribute to an overall reduction in emissions.

Example: Speedy Hire

As a provider of tools and equipment to the construction, infrastructure and industrial markets, most of Speedy Hire's carbon emissions are related to fuel consumption by its fleet. Our engagement has focused on emissions reduction targets and confirmed that management recognise climate change as one of its biggest challenges. Decarbonisation efforts are planned through the use of alternative sustainable fuels and low carbon technologies. For larger fleets, diesel has already been replaced with hydrotreated vegetable oil, which is made from renewable materials such as fat, waste vegetables and other oils, and generates up to 90% less greenhouse gases.

We are encouraged that management are incentivised on climate performance metrics, which are built into variable remuneration. In time, it is possible that the company's sustainability credentials generate incremental demand for the fleet. Customers seeking to achieve their own sustainability goals would benefit from a fleet hire with lower emissions.

Example: Robert Walters

Specialist recruitment consultancy Robert Walters operates in a highly competitive sector, relying on the retention of talented individuals possessing the necessary skills to grow the business. We engaged to understand how retention would be affected by the backdrop of a tight labour market and soaring salaries. The company characterised the environment as a "war for talent", but we were reassured by the company's culturally entrenched approach to remuneration. It is underpinned by a policy of linking bonuses to the profitability of discrete operating units, which has resulted in above average retention of higher performing employees. Engagement revealed other elements of the strategy to improve staff retention, including investments in career opportunity resources and training in management skills. The engagement stream also reassured us that there is a comprehensive approach to succession planning in place across all levels in the group.

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Example: Senior

In recent years, our engagement with this aerospace engineer has focused on portfolio composition. Efforts to develop the profitable fluid conveyance business have been overshadowed by the commoditisation of the structures business, which machines parts for aircraft. We supported a disposal process for structures, though it had to be postponed after the onset of the pandemic. In 2022, the discussion moved on to the topic of when the process should recommence. Supply chain woes meant that production rates of civil aircraft remained in the early stages of recovery. It therefore made sense not to rush a disposal but to wait for more supportive end markets.

A second topic of engagement relates to remuneration. Specifically, we challenged the board to set stretching hurdles for financial metrics that corroborate the board's view on the value of the company. This followed the rejection of a possible offer from private equity in 2021. Both streams of engagement continue.

Example: FirstGroup

FirstGroup is a transport company and has been a longstanding holding of Aberforth's clients. The investment has been challenging but the outlook is much improved following the disposal of its US school bus assets in 2021. The resulting group is simplified and, although disposal proceeds were returned through a tender offer, the balance sheet is stronger. In 2022, our engagement focused on the corporate value of the business. This was necessary after a takeover approach from a US private equity firm. Ultimately, the board agreed with our view that the valuation was inadequate and the approach was rejected. We remain confident that FirstGroup's strategy of maximising returns from the UK operations and returning excess capital through progressive dividends and buybacks should generate a more favourable outcome for long term owners.

Example: TI Fluid Systems

While supply chain problems were the main influence on TI Fluid System's share price in 2022, two longer term engagement streams continued through the year. The first concerns governance and is a legacy of the company's previous ownership by Bain private equity, which retains a 37% stake and has two representatives on the board. Our engagement has focused on executive remuneration, which is high for a listed UK business but not unreasonable for an American PE owned company. As always, it is important to take into account competition for talent – particularly from private equity – but there have been encouraging changes under the new chair.

The second engagement stream is on the environmental front. As a supplier to the automotive industry, the company is involved in the transition to battery electric vehicles. Our enquiries were initially aimed at the continued relevance of its products – steel and nylon tubes. Satisfied that there is a good demand opportunity, we have turned our attention to the profit profile of the transition, as profitable programmes run down and as the profitability of new programmes for electric vehicles takes time to ramp up.

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Example: Videndum

The company owns a portfolio of profitable businesses serving photographers, independent content creators and broadcasters. The main thrust of engagement over several years has been capital allocation. Consistently strong cash flow has given the board the ability to acquire other businesses, with efforts in recent years focused on relatively high tech assets within the Creative Solutions division. We have been interested in the risk that accompanies the growth opportunities for this division and have supported the board in considering opportunities to realise value. Concurrently, we have engaged on remuneration, with the board seeking flexibility amid retention concerns, particularly for employees and management within Creative Solutions. Engagement on both capital allocation and remuneration continues.

Example: RPS

RPS has been a long-standing investment for clients of Aberforth. The initial investment was made in 2009 in the aftermath of the financial crisis. The subsequent recovery was handicapped by the collapse in the oil price between 2014 and 2016, which decimated profits in the energy division. This precipitated the appointment of a new chair, Ken Lever, whom we knew from his previous executive and non executive roles. A period of investment followed, during which our regular engagement with the board reassured us that the investment case was on track. So, through engagement with chair about a series of opportunistic takeover bids in 2019 and 2021 at valuations below relevant industry transaction multiples, we supported RPS's continued independence and allowed the board to cite Aberforth in their rejection letters.

We kept an open channel with the board through the pandemic period and supported a placing in September 2020 to restore strength in the balance sheet. In early 2022, we became insiders after being consulted by the chair about a third M&A approach. Aberforth clients' significant 17% stake supported the Board's position and eventually a sixth bid of 206p was secured with the help of an irrevocable undertaking. The terms of the irrevocable included flexibility in the eventuality of a counter-offer, which we believed to be likely. A counter-offer came and in September 2022, we agreed to an irrevocable at 222p with a 10% collar. Our engagement and clients' significant stake in the equity were instrumental in delivering a good outcome for shareholders. RPS's board deserves credit for their exemplary engagement and consultation under the chair.

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Example: Morgan Advanced Materials

Aberforth's clients have been long-standing shareholders in this manufacturer of carbon and ceramic products. Our most recent course of engagement began in the wake of the pandemic after the dividend was rebased. Strong operational progress through the challenging economic backdrop positioned the company to maintain its dividend record and a reset policy felt like a missed opportunity. Ultimately, the board acknowledged our points, but the dividend policy stood.

In 2022, we continued the engagement through the broader lens of capital allocation. We wanted to understand the board's ambitions towards inorganic growth and resolving the pension deficit. The company has not undertaken any significant M&A for a prolonged period. We therefore sought reassurances that the executive team had the required skills and experience to deploy capital in a way that would enhance value for shareholders. While the company has yet to undertake any M&A transactions, pension deficit has been de-risked through a buy-in and a cash injection by the company.

Example: Eurocell

Eurocell is a manufacturer, distributer, and recycler of PVC profile for the UK's window, door and building industries. Following an IPO in 2015, a record of strong sales growth has not been matched by profits. While the business is well placed to succeed within its industry, a sharper focus on execution of a refreshed business plan was required. With most of the non-executive directors due to leave as they approached nine years of service, we engaged extensively about the appointment of a new chair and the need for succession planning more broadly. We became insiders on the final shortlist after consultation with the senior independent director. The board's preferred candidate was an individual with whom we have worked successfully with before. We therefore supported the appointment.

Example: TT Electronics

Split into three divisions, TT Electronics manufactures and assembles electrical components for use in broad industrial markets. In more recent years, a course of self-help including disposals and acquisitions has placed the Power & Connectivity division at the core of the strategy to unlock faster growth and achieve a 10% operating margin. However, since the pandemic, the stronger trading performances have been in the Sensors and Global Manufacturing Solutions divisions.

In our engagement with the company, we have sought to understand the synergies between the three divisions. This exercise has made clear that the Sensors division has limited overlap with the rest of the business. This has not affected its performance and it has the highest margin profile and sales growth rate in the group. Consequently, our engagement in 2022 moved on to exploring the value that a sale of the Sensors division might unlock for shareholders. The engagement continues.

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Collective engagement

Working with other shareholders can be an important option in Aberforth's approach to stewardship with its investee companies. In 2022, there were 25 examples of collective engagement involving dialogue with other institutional investors related to 19 investee companies. Topics of engagement were capital allocation priorities, alternative options for companies subject to a proposed takeover, board succession, remuneration, and broader strategic issues. Some of these engagements are sensitive in nature and disclosure at this time would be counterproductive to the objectives.

Example: XPS Pensions

Aberforth was consulted on the process to appoint a new chair in what was a cycle of routine succession planning. Having followed due process and completed a search, the board's preferred candidate was an existing non-executive director, who was also and the finance director of another investee company, the recruitment consultant Robert Walters. Whilst it is common for executives to broaden their experience with a single non-executive role, it is most unusual that this extends to the role of chair.

Although we had no concerns about the ability of the individual, we expressed concern about time commitments: executive board roles require an individual's full effort and attention.

In light of the circumstances, we engaged with another large shareholder. This shareholder communicated a similar view to the board after their own consultation. XPS was satisfied that the new chair has the capacity to take on a chair role as his executive responsibilities are supported by a deep management team in his finance department. Finally, we engaged directly with the new chair to express our concerns. The engagement continues.

Example: Jupiter Fund Management

During the year, Aberforth was approached by another shareholder who was concerned about the effectiveness of the board. This followed a period of significant redemptions from Jupiter's funds and a large acquisition. We had already begun to engage about these issues after the unexpected departure of the CEO. As part of this, we suggested improving the breadth of experience on the board, which we felt could benefit from industrial and operational experience. This view was informed by historical investments in financial services companies where such skills have been additive. No changes to the composition of the board have been made yet. Engagement with the chair, and with the other shareholder, continues.

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Example: Go-Ahead

Go-Ahead, an operator of bus and rail assets, announced conditional takeover approaches in June from two parties. Shortly thereafter, the board announced a recommended takeover from a consortium at a value of 1450p in cash and a special dividend of 50p per share. Our assessment was that the valuation fell considerably short of fair value, a path to which could have been realised through the revamped strategy that had been announced only months before. Further, we were frustrated that the board did not consult, and instead presented the acquisition as a fait accompli.

In response, we outlined our opposition to the takeover through engagement with the chair and senior independent director. We also contacted several major shareholders to share our thoughts and ultimate opposition to the proposal on the basis of its existing terms. Despite these efforts, we failed to garner enough support to vote the transaction down. At the court meeting to approve the transaction, 78.6% of shareholders voted in favour, compared with the 75% approval threshold required. The takeover proceeded and it was of small consolation that the consortium raised the offer price through a 50p increase to the special dividend.

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Voting

Voting principles

Aberforth:

- Votes to maximise the value of its clients' capital, taking into account all relevant factors, including environmental and social issues.
- Votes on all resolutions put to shareholders.
- Does not automatically follow the recommendations of the board, or of proxy advisers, but aims to engage with the board before voting against or abstaining.
- Believes that abstention – or withheld votes – can be a useful signal in on-going engagement with a company.
- Expects to be consulted on contentious issues before they are brought forward for voting.
- Expects companies to comply with the Corporate Governance Code 2018 or explain otherwise.
- Retains a flexible and pragmatic approach recognising that the requirements of smaller companies do not always conform with "one-size-fits-all" policies.

Voting	**12 months to 31 December 2022**
Shareholder meetings at which our clients' shares were voted	105
Shareholder meetings at which our clients' shares were voted against or abstained (1)	11
Number of resolutions voted	1,529
Number of resolutions voted against	3
Number of resolutions abstained	15

Notes:
(1) On one or more resolutions

The table above shows the breakdown of how Aberforth voted during 2022. The examples below provide more detail on the rationale behind certain voting decisions. They demonstrate the importance of combining voting decisions with proactive engagement.

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Votes AGAINST or ABSTAIN

Votes AGAINST or ABSTAIN are purposeful and planned. Aberforth views voting against as an important tool when engagement is unable to facilitate change, while abstain votes can be a useful signal in on-going engagements. Intentions to vote either against or abstain are usually communicated to the boards ahead of time. Notable examples of votes against and abstentions are provided below.

Example: McBride

ABSTAINED on the re-election of Igor Kuzniar, a non-executive director representative of Teleios Capital Partners

Our withheld vote reflected concerns that shareholders who become board members may have an agenda that, under specific circumstances, could prove detrimental to our clients' interests. This action was consistent with a withheld instruction in previous years. The decision was taken despite reassuring engagement with the chair, who understands the board's responsibilities to all shareholders. We were therefore reassured that appropriate processes are in place to manage the risks, which are also mitigated by the clear majority of non-executives on the board being independent.

The resolution was passed with 99.8% of votes FOR

Example: SIG

ABSTAINED on the re-election of two shareholder representative non-executive directors

Private equity company Clayton Dubilier & Rice (CDR) became a c.28% shareholder in SIG following the equity issue in 2020. The accompanying shareholder agreement granted two board seats to CDR, which were up for re-election. Though Aberforth's clients' interests are aligned with CDR's in the present recovery phase, this may not always be the case and CDR's board positions could prove detrimental to clients' interests in certain circumstances. Our decision to withhold our vote against the reappointment of CDR's directors followed reassuring engagement with the chair who is alive to the risks and ensured a majority of non-executives on the board are independent.

The resolutions passed 99.4% and 83.4% of votes FOR

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Example: Card Factory

ABSTAINED on the re-election of Nathan Lane, a non-executive director

The appointment of Nathan Lane as a non-executive director in 2020 followed discussions between the board and Teleios Capital Partners, c.20% shareholders in the company. Whilst the individual was not a nominated director of Teleios, the board's judgement is that he was not independent. We are cognisant of the risks that, under certain circumstances, this director could bring influence that is not in our clients' best interests. Meanwhile, our engagement with the chair has demonstrated that the board has considered these risks carefully, hence the non-independent designation. However, the board also believes the individual brings relevant skills and experience that have already proved valuable to the company.

The resolution passed with 100% of votes FOR

Example: TI Fluid Systems

ABSTAINED on the remuneration policy

The high variable element of the remuneration package has been a concern and engagement topic for several years. With the recent appointments of a new chair and CEO, change to remuneration has been forthcoming. Notably, the combined upside multiplier of the long- and short-term variable awards has been reduced from seven times to six times. This encouraged a change in Aberforth's vote from against in previous years to abstention.

The resolution passed with 98.2% of votes FOR

ABSTAINED on the re-election of two shareholder representative non-executive directors

Votes were also withheld on the re-election of two non-independent non-executive directors. These are representatives of Bain, the private equity firm that owned the company before IPO and that retains a 37% stake. The risks of such a stake to other shareholders were highlighted in 2020, when, at the last minute, Bain withdrew their support for a dividend to be paid by the company in respect of 2019. Abstention, rather than a vote against, was appropriate in view of the circumstances of the second quarter of 2020, when uncertainty about the pandemic was at its most intense.

The resolutions passed with 80.4% and 100% of votes FOR

Whilst voting FOR a resolution does not usually merit explanation, there are circumstances in which such votes are significant. The examples below demonstrate the importance of combining voting decisions with proactive engagement.

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Example: Senior

Voted FOR the approval of the remuneration report

Following the board's rejection of a possible offer for the company in 2021, we engaged with the chair and the head of the remuneration committee. Our contention was that the board should ensure incentive hurdles were compatible with the board's view of the value of the company. Upon release of the annual report, we were concerned that this was not the case. The board outlined that it was concerned at the potential loss of important senior managers within Senior's business units. Although engagement on this topic continues, pragmatism was exercised and Aberforth voted in favour of the remuneration report.

The resolution passed with 91.1% of votes FOR.

Example: Hyve

Voted FOR the approval of the remuneration report

In 2021, Aberforth was consulted on a plan to introduce a value creation plan (VCP) at Hyve, an events company. Such plans are controversial in the wake of historical uncapped pay outs that involve the issuance of new shares to management teams. In this case, the board felt the plan was required to retain and motivate the senior management team. Through our engagement, we were able to increase the hurdle annual rate of the return above which the share price must increase before a capped pay out would occur. As a result we voted FOR the remuneration policy, which passed with 75% of votes supporting the proposal.

Another significant vote followed in 2022. After the onset of the Ukraine war in 2022, Hyve moved quickly to exit its Russian operations. This crystallised a significant loss of earnings. In response, we were consulted on a lower hurdle rate for the VCP. Our support for this arrangement was evidenced in vote FOR the approval of the remuneration report.

The resolution passed with 91.6% of votes in favour.

Example: Company A

Voted FOR the re-election of the chair

Our engagement with the chair highlighted dysfunctional board relationships and differing views on strategy. After a period of challenging engagement, we met with the senior independent director to transmit our loss of confidence in the chair. This involved asking for confirmation that the chair announced plans to step down at the AGM. To improve the chance of the objective being achieved, pragmatically we signalled our readiness to vote in favour of the individual's notional re-appointment. Prior to the AGM, the chair signalled their departure and accordingly we voted FOR their re-election.

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Example: Topps Tiles

Voted FOR all resolutions at the AGM

Amid a broader review of the company's capital allocation priorities, Aberforth engaged with the executives and chair to elevate the profile of the ordinary dividend and highlight the importance of capital allocation discipline. During 2022, the company revealed an updated capital allocation policy, which acknowledged the importance of progressive dividends. This was reflected in resilient financial results, where the full year dividend was raised 16% year on year to 3.6p.

The resolutions all passed.

Example: De La Rue

Voted FOR Kevin Loosemore, the chair, to continue serving as a director of the company

A general meeting was convened at which the company put to shareholders whether the chair, Kevin Loosemore, should remain in post. This move was in anticipation of the likely requisition of an EGM by another shareholder who sought to remove the chair. It was our judgement that the chair deserved more time owing to macro-economic headwinds hampering a recovery in the group's currency printing division. We remain actively engaged with De La Rue's board.

The resolution passed with 82.9% of votes FOR.

Votes different from proxy adviser recommendation

During 2022 there were 43 resolutions on which Aberforth voted differently from ISS's recommendations. Examples are set out below.

Example: National World

Voted FOR the re-election of David Montgomery, executive chair – proxy advisor recommended ABSTAIN

Aberforth agrees that in most situations, governance is enhanced by the separation of the roles of chair and the CEO. However, there are circumstances where we are prepared to support the appointment of an executive chair. These exceptions typically involve companies undertaking heavy restructuring plan, where there is reliance on the performance record of specific individuals. This was the case for National World, which is embarking on a strategy of consolidation among legacy printing assets under its executive chair, David Montgomery. Despite the reservations of the proxy advisor, Aberforth voted FOR the re-appointment of David Montgomery.

The resolution passed with 100% of votes FOR.

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Example: Card Factory

Voted FOR the approval of the remuneration report – proxy adviser recommended AGAINST

In light of the company's receipt of Covid-19 government support, the proxy adviser raised a general concern over payment of bonuses and appropriateness of the metrics. Nevertheless, Aberforth's clients voted in favour of the remuneration report. The justification for the payment was that it was made against the background of excellent financial performance, significantly exceeding the stretch target. Notably, the remuneration committee exercised downward discretion by disregarding the benefit of government support in assessing whether the targets had been achieved. Therefore, a vote in favour was warranted.

The resolution passed with 83.3% of votes FOR

Example: Castings

Voted FOR the remuneration policy – proxy adviser was AGAINST

The proxy adviser's recommendation was due to a discretionary bonus of £32,000 paid in addition to the £21,000 earned in line with the remuneration policy. Our decision to vote in favour was motivated by the unusual culture of the company, which has contributed to its strong and persistent record of profitability in a competitive industry. One notable aspect of the culture is that remuneration is much lower than the average for companies of its size. The CEO's basic salary last year was £298,000 and there was no long-term incentive available until the introduction of a nil cost option scheme in 2020. We are particularly conscious of the risk of losing executives to competitors and so were comfortable with the discretion exercised by the remuneration committee.

The resolution passed with 85.0% of votes FOR

Example: CMC Markets

Voted FOR the re-election of the nominations committee – proxy adviser was AGAINST

The proxy adviser recommended a vote against the re-election of the Chair of the Nomination Committee, on the basis that less than 33% of the board currently consists of women. As a result, the composition of the board falls short of the recommendation to the Hampton Alexander Review. We were satisfied that the board's policy considered diversity in its broader sense and that this should result in increased female representation on the board over time. Steps have already been taken to address this as evidenced by women representing 50% of the independent non-executive directors.

The resolution passed with 93.7% of votes FOR.

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Example: International Personal Finance

Voted FOR the approval of the remuneration report - proxy adviser was AGAINST

The proxy adviser recommended a vote against the approval of the remuneration report on the basis that the departing CFO was treated as a good leaver. This entitled the individual to receive an annual bonus and retain existing LTIP awards. Aberforth was satisfied with the company's detailed response, which referenced legal entitlements under the terms of his service agreement.

The resolution passed with 77.8% of votes FOR

Example: S&U

Voted FOR all resolutions – proxy advisor was AGAINST the remuneration report, remuneration policy and certain directors.

The proxy advisor recommended a vote against the approval of the remuneration report and policy, and against the re-election of the executive chair and all non-executive directors. Regarding votes related to board composition, the issues were the lack of gender diversity, the structure of sub-committees and the chair's executive responsibilities. We were satisfied that the board considered diversity in its broadest sense and that the board's experience is relevant given the nature of the business.

Moving to the remuneration report, the proxy advisor's view was that the disclosures of LTIP and bonus performance targets were insufficient. Our engagement with the company concluded that this stance was acceptable given the commercial sensitivity of divisional PBT targets. Furthermore, total compensation figures for executives are in line with peers' and are backed up by significant personal shareholdings in the company.

The resolutions passed with c.93% of votes FOR.

Example: Hostelworld

Voted FOR the remuneration policy – proxy adviser was AGAINST

The proxy adviser raised concern over the introduction of Hostelworld's 2022 Restricted Share Award, which proposed to reduce vesting hurdles for the previously awarded LTIP and to remove post-cessation shareholding requirements. Our engagement with the chair concluded that concern over management retention was justified. Ensuring the executive management is adequately incentivised was important in the context of the company's turnaround plans, which had been challenged by the pandemic. Consequently, pragmatism was exercised.

The resolution passed with 80.2% of votes FOR

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Example: Capital

Voted FOR the remuneration report – proxy adviser was AGAINST

The proxy adviser raised a concern over plans to award an annual bonus equivalent to 150% of the maximum opportunity. In doing so, the board exercised a discretionary clause in the policy, recognising the strong operational progress made by the company, which saw stretching financial targets comfortably exceeded. Indeed, Capital has grown its mine site drilling fleet and associated profits significantly since changes to the remuneration policy were made previously in 2018. We concluded that the strong operational performance was compatible with the board's view on remuneration.

Voted FOR the re-election of Jamie Boyton, executive chair – proxy adviser was ABSTAIN

Aberforth agrees that in most situations, governance is enhanced by the separation of the roles of chair and the CEO. However, there are circumstances where we are prepared to support the appointment of executive chairs. In the case of Capital, our clients' longstanding interest in the company has meant we have had frequent exposure to Jamie Boyton. This process has given us confidence in his abilities and relevant experience, which is backed up by a strong performance record for shareholders. We are also assured by the executive chair's significant personal holding in the company.

A step towards best practice occurred later in October when a CEO was appointed with Jamie Boyton continuing in his role as executive chair.

The resolutions passed with votes FOR of 81.6% and 97.4% respectively.

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