ABERFORTH PARTNERS

Compliance with the UK Stewardship Code

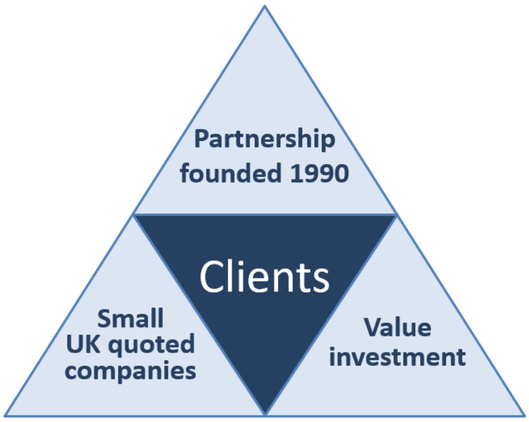
This document describes Aberforth's approach to stewardship and its compliance with the UK Stewardship Code in the reporting period to 31 December 2024. Those looking for more information may contact Sam Ford – the investment partner responsible for co-ordinating stewardship matters – by email at stewardship@aberforth.co.uk or by phone on 0131 220 0733.

Principle 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.

Context

Aberforth was established in 1990 and remains wholly owned by partners working at the firm. Since then, its purpose is unchanged and is encapsulated by the accompanying diagram. Specifically, the purpose is to deliver superior long-term investment returns for its clients and, by extension, for the ultimate beneficiaries of its clients' portfolios.



The target client base, detailed in Principle 6, is institutional or wholesale investors that want to give their own clients exposure to small UK quoted companies.

Three central aspects of the firm – partnership, a focus on small UK quoted companies and a value investment philosophy – support the pursuit of this purpose. The features set out below are described in more detail in Aberforth's investment philosophy document, which can be found HERE.

- Aberforth was designed by its founders to be a simple business in the belief that this would improve the investment outcomes for its clients. The firm has remained focused on one asset class and, aided by a self-imposed cap on its assets under management, avoids the complexity and proliferation of strategies that are associated with the asset-gathering model pursued by much of the fund management industry. Aberforth believes that its chosen asset class – small UK quoted companies – is relatively inefficient and, through fundamental analysis, lends itself to the active management of a diversified portfolio of stocks. Aberforth's investment universe is the Deutsche Numis Smaller Companies Index (excluding Investment Companies) [DNSCI (XIC)], which is the bottom 10% of the main UK equity market by market capitalisation.

- All Aberforth's portfolios are managed in accordance with a value investment philosophy. Encouraged by historical evidence, Aberforth believes that this philosophy plays a central role in the achievement of superior long-term returns. Given this unwavering adherence to value investment, Aberforth's primary consideration in any investment decision is, unsurprisingly, valuation. Any matters that affect the valuation of an investee company are relevant to Aberforth's investment process. These matters include environmental, social and governance (ESG) risks and opportunities. The firm believes that discreet engagement with the boards of investee companies – on matters such as governance, capital allocation, environmental impact, and social policies – can improve investment returns, to the benefit of clients.
- Aberforth's success in remaining true to its value investment philosophy and in keeping its business simple has been facilitated by the firm's ownership structure: it is a limited liability partnership, wholly owned by six partners who all work full-time in the firm. The interests of Aberforth and its clients are reinforced by the partners each investing a significant portion of personal savings in the collective funds managed by the firm. The partners' intention is to ensure the perpetuation of the partnership through transition to the next generations. The partners see themselves as guardians of a business at the centre of which are its clients: investment expertise, exceptional service and integrity combine to nurture strong client relationships and thus to extend the longevity of the business beyond the tenure of any individual.

Clients are at the heart of Aberforth's purpose and culture, but successful stewardship of clients' capital can also be of broader benefit. While small companies have a less significant impact than do their larger peers on the economy, the environment and society, that is not a reason for such issues to be de-emphasised. Aberforth expects investee companies and their boards to consider ESG risks and opportunities in their operational and strategic decision-making.

Except when requested by clients, Aberforth does not exclude investments from portfolios on the basis of ESG considerations alone. There is evidence that investment returns can be enhanced by investment in and engagement with companies that face ESG challenges and are already seeking to address them or can be encouraged to do so.

Activity

Aberforth ensures that its investment beliefs, strategy and culture enable effective stewardship by the "vertical integration" of all roles in the investment process. Each investment manager is responsible for several stockmarket sectors. For each holding within the allocated sectors, the investment manager undertakes company analysis, the origination of investment ideas, dealing, engagement and voting. An important advantage of this approach is a coherent stewardship message to the boards of investee companies that is consistent with the initial investment thesis. The controls on this approach are twofold. First, investment decisions are made collegiately by the group of investment managers based on a portfolio approach to capital allocation. Thus, an individual investment manager always receives scrutiny, challenge and assistance when necessary. Secondly, the partnership can review stewardship as implemented by the investment managers through its Stewardship Committee (see Principle 2).

Outcome

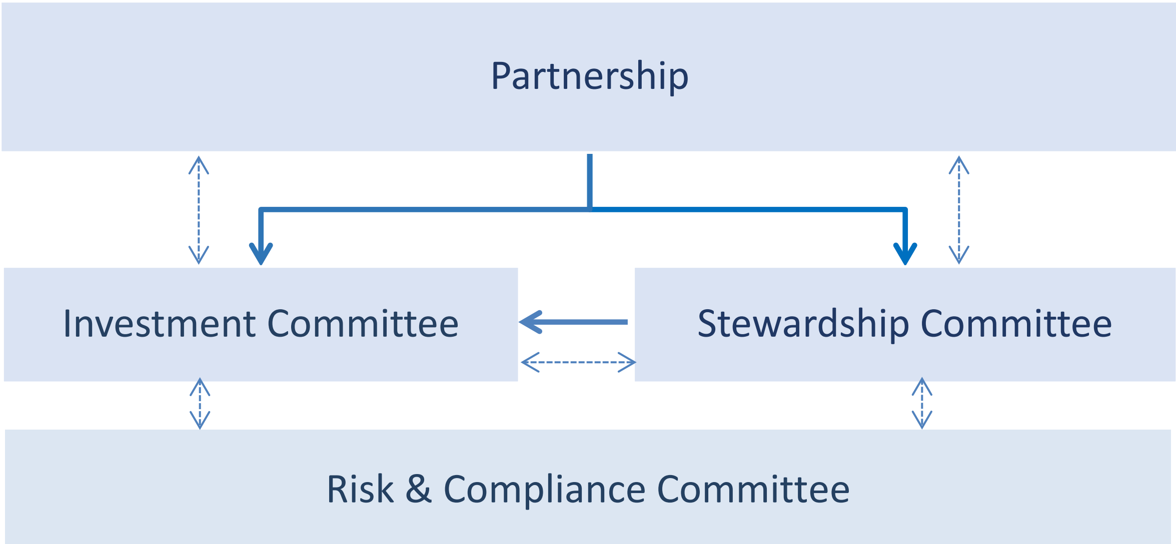
Influenced by the value investment philosophy and a belief that individual directors can have greater effect on the fortunes of a small company, stewardship permeates Aberforth's investment process and culture. This is demonstrated by data provided in the responses to Principles 9, 10, 11 and 12. Aberforth's emphasis on stewardship is reinforced by the fact that its clients, in aggregate, are significant investors within the universe of small UK quoted companies, often holding significant stakes in investee companies. Accordingly, governance considerations and engagement are one of the main topics at Aberforth's investment meetings. Interactions with the directors of investee companies are discussed, as are significant voting issues arising from general meetings. Aberforth directs particular scrutiny toward the competence and performance of the chair since that role is the most important within the UK's governance framework as described in the 2018 UK Corporate Governance Code and the 2024 Code, effective from 1 January 2025. Aberforth votes at all shareholder meetings and this is reported to clients. Aberforth regularly reviews strategies for engagement with companies in which its clients own meaningful stakes, and dedicates additional resource to more complex situations, escalating as required. The firm's Engagement and Voting Framework describes in more detail the approach to voting and engagement and can be found HERE.

An assessment of Aberforth's effectiveness in serving its clients and beneficiaries may be conducted with reference to the firm's purpose of delivering superior long-term investment returns. The longest standing client – Aberforth Smaller Companies Trust plc – launched on 10 December 1990. From then until 31 December 2024, it has produced a compound annual NAV total return of 11.8%*. This exceeded the 9.7%* return from small UK quoted companies, as measured by the DNSCI (XIC). Part of the superior return was attributable to the value investment philosophy, as value stocks outperformed the index as a whole*. Over the same period, the total return of larger UK companies, as measured by the FTSE All-Share Index, was 8.1%*. This size premium therefore supports Aberforth's focus on small UK quoted companies.

* Sources: Aberforth Partners LLP; FTSE International Limited; Deutsche Numis/Paul Marsh and Elroy Dimson – London Business School.

Principle 2

Signatories' governance, resource and incentives support stewardship.



Activity

The organisational structure and processes that support stewardship within Aberforth are inextricably linked. Stewardship starts with the partnership model itself, which places the client at the centre of Aberforth's business, as described in Principle 1. The commitment to stewardship is demonstrated in the leadership by a partner, Sam Ford, for all stewardship activities. He chairs the Stewardship Committee, on which he is supported by three others including the partner responsible for operations and the Head of Sustainability and Investor Relations (S&IR). Aberforth created this role to provide dedicated resource to manage investor requests about sustainability and to ensure that the firm is well prepared for evolving ESG regulations. Having the operations partner as a member provides an additional, diverse perspective, independent from the investment function. As described below, day-to-day stewardship decisions are taken by the investment managers. These decisions are made within a framework set by the Stewardship Committee, which reports to the partnership.

Among its peers of investment houses addressing small UK quoted companies, Aberforth has a relatively large team of experienced investment professionals. At 31 December 2024, the team comprised six members, with average industry experience of 21 years. The investment managers have a deep understanding of the sectors and companies they cover. This means that the boards of investee companies, who have a single point of contact at Aberforth, can be more receptive to stewardship engagement. The firm therefore believes that its investment process lends itself well to an integrated approach of stewardship: stewardship decisions are taken by the investment manager responsible for individual investments with input from other members of the investment management team. Further detail on Aberforth's investment philosophy and process can be found HERE.

In implementing its stewardship policies, Aberforth's principal investment is in its investment management team, who conduct their own research, analysis and engagement. The firm recruits experienced individuals, whose diversity of knowledge and experience can contribute to the refinement of its processes.

To support its investment and stewardship activities, Aberforth has invested in and developed bespoke internal IT systems. A series of proprietary data applications, linked to a SQL database (the Aberforth proprietary database), are tailored to the firm's approach and are integral to its investment process.

To complement these systems, Aberforth takes selected data and analysis from third-party providers. This includes a relationship with a proxy voting adviser. Where third-party data relationships exist, they are subject to an annual effectiveness review. Experience with third-party providers of ESG analysis has remained disappointing to date. The firm has found that the coverage and quality of data relevant to small UK quoted companies remain inconsistent and incomplete.

The structure and ethos of the partnership mean that separate reward structures to incentivise stewardship are not necessary. Aberforth's model is for all its investment managers, and therefore all those with responsibility for enacting stewardship policy, to become partners in the firm. Investment managers are rewarded on the basis of the firm's overall performance, rather than being tied to the investment results of individual sectors or funds. This aligns Aberforth's activities with clients' interests. All operational staff have a specific ESG contribution objective as part of their remuneration assessment.

Outcome

Aberforth has consistently applied its approach to stewardship since the foundation of the business in 1990. This task is made easier by the firm's relatively flat hierarchy and by the fact that its principals are directly responsible for implementing the stewardship policy. The Engagement and Voting Framework and the ESG Integration Framework (both found HERE) attest to the rigorous implementation of Aberforth's approach to stewardship.

Although existing governance structures are established and working, there are ways in which its processes, particularly regarding environmental and social considerations, can be enhanced. Several improvements have recently been or are currently being implemented.

- Aberforth conducted the annual review of the ESG risk scores for sectors, described in its ESG Integration Framework, linked above. This led to score changes for several ESG sub-factors across different sectors. These will be considered in the ESG evaluation conducted for affected companies over the course of 2025.
- The ESG framework and the recording of engagements within the proprietary database is linked. The main benefit is a more integrated view of a company's ESG credentials, engagement activities and voting record. The results contributed to the examples detailed in Principles 9, 10 and 11.
- Aberforth invested in training and resources to enhance knowledge and expertise in stewardship. In 2024, staff participated in regulator consultations, industry training events and seminars related to ESG.
- The Head of S&IR holds ESG review sessions with the investment managers to improve knowledge and understanding on evolving ESG matters.
- The firm progressed internal diversity and inclusion initiatives to support a productive and healthy work culture. During the year, Aberforth's staff completed workshops on inclusivity and well-being.
- The firm progressed its climate-related disclosure plans, which are aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This saw the firm quantify its carbon emissions, supported by environmental consultants, and set out actions to begin its own journey to net zero by 2050.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Context

As an independent limited liability partnership, whose sole specialisation is investment in small UK quoted companies, many of the traditional conflict of interest scenarios faced by larger, more diverse investment management entities do not apply or are less relevant to Aberforth.

The firm has a policy, refreshed annually, for the identification and management of conflicts of interest, with the objective of ensuring that clients are not adversely affected. Any conflict of interest that arises is duly considered by senior management, including the compliance team. The conflict is recorded and managed in a way that ensures that all clients are treated fairly. Where it is impractical to manage such a conflict it will be disclosed to the relevant clients. Aberforth's conflicts of interest policy is shared directly with clients and can also be found HERE.

The policy describes situations in which conflicts of interest may arise. From the stewardship perspective, the most relevant are conflicts that can arise (a) between Aberforth's interests and those of its clients, (b) among its clients or (c) between the interests of the firm's partners or employees and its clients.

Activity

The points below explain how Aberforth has identified and managed conflicts of interest relevant to stewardship.

- In buying and selling shares, the firm only ever deals as agent on behalf of its clients and never as principal on its own account.
- The firm's bespoke order management system is designed to deliver fair allocation of aggregated orders between multiple clients. This is subjected to regular compliance monitoring.
- The firm has controls in place to ensure that mandate restrictions directed by clients are known by investment managers and are reflected in systems.
- The firm's policy on gifts and hospitality prohibits the giving or accepting of gifts that may give rise to a conflict of duties owed to clients or the firm and may otherwise only be accepted where the gift or hospitality is modest and infrequent.
- Aberforth encourages long-term savings and investment by partners and employees. Personal dealings in investments are generally permitted, subject to compliance with the personal dealing policy. That policy requires all personal dealing to be approved by a partner and generally prohibits investment in any company that is a constituent of the investment universe.

- Private wealth managers, on behalf of their clients, are significant investors in the collective funds managed by Aberforth. Some of these wealth managers are constituents of the investment universe and the firm can invest its clients' funds in them. On such occasions, the investment decisions are taken transparently in a manner consistent with clients' mandates and Aberforth's purpose and investment philosophy, as described in Principle 1.
- Clients' interests are represented directly with the investment managers through the independent boards of the investment trusts, the independent non-executive directors of the unit trust management company (on behalf of the unit trust) and directly by client representatives on behalf of the segregated charity clients.
- Aberforth's partners are not permitted to take board positions at investee companies or to sit on the boards of the two investment trusts that the firm manages.
- A conflict may arise should a director of an investment trust managed by Aberforth be invited to join, or already be a member of, the board of a company in which the firm's clients invest. How this situation is addressed is described in one of the examples below as an outcome.

Outcome

Examples of the management of conflicts in practice are noted below. Conflicts of interest do not arise regularly. The historical examples described below are demonstrations of the firm's approach to managing conflicts.

Example: client board conflict

Directors of the boards of the two investment trusts managed by Aberforth may be sought as potential board members of other organisations. This risks potential and/or actual conflicts with the stewardship of clients' capital. When this occurs, it is addressed through consultation and consideration by the director in question, the board's chair and Aberforth. A historical example related to an investment trust director who was also on the board of an investee company that was subject to a potential takeover. The situation was thoroughly assessed and it was concluded that there was no direct conflict of interest. It was also determined that any potential indirect conflicts arising could be managed and mitigated through transparent disclosures and the establishment of safeguards regarding the discussion of the company in question. However, there have been other previous instances where the conflict was considered unacceptable. In one example, an investment trust director was invited to become a director of a company where clients of Aberforth had a significant interest. The risk of a conflict could not be mitigated to an acceptable level and so the director withdrew their candidacy.

Example: client engagement

Aberforth takes time to ensure that its philosophy and investment approach, linked HERE, are understood when building and maintaining client relationships. During this process, Aberforth seeks to understand clients' stewardship principles and specific requests. In line with this, the firm engaged with a client after it introduced a 2050 net zero target for its investment portfolio. Aberforth provided feedback on how a value investment philosophy could align with these goals. The client was supportive, leading Aberforth to commit to an annual ESG report, which describes the portfolio's ESG credentials and includes a detailed environmental evaluation of portfolio constituents and their progress in reducing emissions.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Activity

Fundamental research is one of the main components of Aberforth's investment process. Market-wide and systemic risks are directly relevant to the valuation of investee companies and are identified by the investment managers in the course of their industry and company analysis. Additionally, within the bottom-up research process, there is a top-down check in place: two investment managers are charged with keeping abreast of developments in the macro-economy and financial markets. Emerging systemic risks and their impact on companies or industries are discussed at investment meetings. Target valuations for investee companies may be adjusted in light of these discussions, which might lead to changes to holdings and, where appropriate to the investment mandate, to gearing levels. If a market-wide issue has relevance to Aberforth itself, it is discussed by the partners and actions are taken as appropriate.

Aberforth's partners and employees participate in industry forums, both to help identify risks and, if relevant, to influence how the risks are addressed. Such action is undertaken with the aim of improving how financial markets, usually the market in small UK quoted companies, function. During 2024, Aberforth participated in meetings or forums with The Investment Association (The IA), the Association of Investment Companies (AIC) and the Financial Reporting Council (FRC). The objectives of engagement with these forums are: (i) identification of industry issues, such as stewardship regulation and regulatory change; (ii) engagement on stewardship and ESG matters, particularly around application to smaller businesses and in the listed small cap sector; and (iii) economic and market conditions, including regulatory responses.

Under Principle 7, more detail is provided as to why Aberforth sees climate change as a systemic risk to economies and financial markets. It takes this into account when assessing the prospects and valuations of individual companies. Aberforth engages with the boards of investee companies when their stances on climate change are affecting their valuation. It has not engaged in public advocacy. This reflects the complexity of the topic, with nearer term economic and social impacts a likely consequence of meaningful remedial action on climate change. The scope of the judgement required here is broad and prioritisation is a matter for broader society as mediated by government. This stance does not shift responsibility from Aberforth: it considers the impact of potential government action on climate change when assessing the prospects and valuation of investee companies.

The proliferation of climate change regulation and recommendations from official bodies may itself be a market-wide risk. Any resulting confusion may complicate and delay the implementation of climate change policies by companies, particularly smaller companies with less resource available. This general risk may be a source of individual investment opportunities in companies that are slow but willing to comply. The regular engagement embodied in Aberforth's stewardship model can help identify such companies and help them on their journey.

Outcome

Aberforth's approach to investment, which is based on fundamental analysis, puts it in a good position to identify and assess systemic and market-wide risks. These risks have been considered through the investment process and have, in some cases, led to adjustments to target valuations of investee companies and changes to holdings.

While acknowledging its small size in the asset management industry, Aberforth will continue to engage with other stakeholders on systemic and market-wide risks where such action seems likely to improve the investment outcomes of its clients or, consistent with Principle Five of the FCA's Principles for Businesses, the functioning of the financial system.

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Activity

Aberforth's approach to the assurance of its stewardship policies is based on internal review. This approach has been adopted since the small size of the firm and its ownership structure mean that its principals are able to scrutinise and amend stewardship policies and their implementation as appropriate. Providers of external assurance are considered, but it is not yet clear that they would add the value provided by third parties in other areas of the firm's activities, such as the AAF 01/20 framework issued by the Institute of Chartered Accountants in England and Wales.

There are three layers to the internal assurance approach: two are formal – the Stewardship Committee and the partnership as owners of Aberforth – and one informal. The informal layer is a benefit of the firm's size and simplicity. The investment managers, who put stewardship policies into practice, work together in the same room. Contentious issues may be discussed as they arise and with reference to policy, which increases the likelihood of consistent implementation. At the formal level, the Stewardship Committee is charged with formulating the firm's policies and reporting on their implementation through the investment managers' stewardship activities. Important inputs to the Committee's work are dialogue with industry peers, participation in relevant industry forums, and consultation with industry bodies and regulators. The Committee reports to the partnership annually, which gives the ultimate approval to the stewardship policy and its implementation.

An additional level of external assurance is provided by the boards of the collective funds managed by Aberforth. The firm presents its stewardship report, together with voting records, to these boards annually. The boards review and challenge the reports, as well as providing an additional check on whether they are fair, balanced and understandable. Summarised updates to stewardship policies and practices are set out in disclosures in the Annual Report and Financial Statements of Aberforth's collective funds. These are approved by the boards and subject to review by external auditors. Aberforth's other clients benefit indirectly from this scrutiny.

Outcome

The assurance approach described above has resulted in the following developments in Aberforth's stewardship policies and processes.

- The Stewardship Policy is structured around the UK Stewardship Code 2020. It is reviewed and updated annually for relevant examples, current activity and outcomes.

- The Stewardship Committee, which is tasked with the oversight of policies and their implementation by the investment managers, has evolved from a group to a formal committee and strengthened the role of stewardship within the firm's system of governance. The committee includes the Head of S&IR, who contributes additional expertise on stewardship and ESG matters.

- As outlined in Principle 2 and Aberforth's ESG Integration Framework (found HERE), ESG subfactor risk scores are reviewed annually. This exercise builds on the Stewardship Committee's industry and company engagement over the course of the year, alongside updates from the Sustainability Accounting Standards Board on material financial risks for sectors. Additionally, the annual ESG risk review ensures that Aberforth's ESG Framework can be aligned with the industry's evolving understanding of relevant ESG risks for companies.

- To promote a consistent approach to ESG integration, the Stewardship Committee conducts an annual oversight meeting individually with each investment manager. This process can identify outliers in the data, which are discussed and if necessary adjusted.

- Members of the Stewardship Committee participate in industry forums, hosted by The Investment Association, the International Sustainability Standards Board, UN PRI and a variety of professional service firms. Such activities are useful in assessing the effectiveness of Aberforth's policies and practices.

- Aberforth is supported by a sustainability consultant to assist in measuring the firm's own environmental impact and strategy for energy transition. Improvements to the firm's voluntary reporting under the Streamlined Energy and Carbon Reporting framework were made. These included the quantification of Scope 3 greenhouse gas emissions in addition to Scope 1 and 2. This continues to inform the firm's carbon reduction plan and provides a benchmark report for comparability. The firm is developing a plan to achieve its commitment to net zero emissions across its own operations by 2050.

Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Context

As described in Principle 1, Aberforth's portfolios are managed in accordance with a value investment philosophy. Historical evidence suggests that this philosophy plays an important role in the achievement of superior long-term returns for clients. The firm believes that effective engagement with the boards of investee companies – on matters such as governance, capital allocation, environmental impact and social policies – can improve investment returns, to the benefit of clients. Where ESG matters impinge upon the investment case, the investment managers engage with investee companies to understand how these issues may be addressed. The investment managers are well placed to undertake this activity, since engagement has always been fundamental to their investment process.

Aberforth's intended clients are institutional or wholesale entities that seek to give their own clients exposure to small UK quoted companies. Aberforth's assets under management are invested entirely in small UK quoted companies. These are companies with a market capitalisation, at the time of purchase, equal to or lower than that of the largest company in the bottom 10% of the main UK equity market or companies in the Deutsche Numis Smaller Companies Index (excluding Investment Companies). At 31 December 2024, the firm managed four funds: three collectives and one segregated fund for a charity. All four funds are managed in a similar way in keeping with the value investment philosophy, though client specific variations allow classification into sub-strategies: **Standard Value**, **Value and Income** and **Standard Value with Client Restrictions**.

- **Standard Value:** Aberforth Smaller Companies Trust plc (ASCoT) has been a client since its inception in 1990. It is an investment trust listed on the London Stock Exchange, with assets of £1,503m* at 31 December 2024. Its underlying investors are overwhelmingly institutional, primarily private wealth managers. Retail investors, including execution-only platforms or non-discretionary stockbrokers but excluding current partners of Aberforth, represent circa 16%* of the fund. Non-UK investors represent circa 11%* of the fund.

- **Standard Value:** Aberforth UK Small Companies Fund (AFund) has been a client since its inception in 1991. It is an authorised unit trust scheme, with assets of £147m* at 31 December 2024. Its underlying investors are overwhelmingly institutional, primarily private wealth managers. Retail investors, including execution-only platforms or non-discretionary stockbrokers but excluding current partners of Aberforth, represent circa 14%* of the fund. Non-UK investors represent circa 2%* of the fund.

- **Value and Income:** Aberforth Geared Value & Income Trust plc (AGVIT) has been a client since its inception in 2024. It acted as a rollover option for a predecessor trust, Aberforth Split Level Income Trust plc (ASLIT), which had been a client since its inception in 2017. It is a split capital investment trust listed on the London Stock Exchange, with assets of £145m* at 31 December 2024. Its underlying investors are overwhelmingly institutional. Retail investors, including execution-only platforms or non-discretionary stockbrokers but excluding current partners of Aberforth, represent circa 12%* of the fund. Non-UK investors represent circa 3%* of the Ordinary Shares. This fund has a limited life, with a planned winding-up date of 30 June 2031.

- **Standard Value with Client Restrictions:** Charity A is a segregated fund managed by Aberforth for one of the UK's largest charities. A client since 2002, assets at 31 December 2024 were £313m*.

* Sources: Aberforth Partners LLP; Richard Davies Investor Relations.

Aberforth considers that a long-time horizon, of at least five years, is appropriate to meet the needs of its clients and their underlying beneficiaries. Over a shorter period, there would be a greater risk of volatility from economic and stockmarket cycles. In particular, the value investment philosophy followed by the firm can have prolonged periods out of favour. A longer time horizon also accords with how Aberforth assesses the prospects of the companies in which its funds invest. Several companies have been held by the funds for over a decade, though the average holding period is shorter. This reflects opportunities presented by the stockmarket to realise profits and recycle the proceeds into more attractively valued companies, a process Aberforth terms the "value roll".

Activity

The three collective funds – ASCoT, AGVIT and AFund – are overseen by boards of directors, who receive detailed quarterly reports and attend board meetings with representatives of Aberforth present. These meetings give the directors the opportunity to scrutinise the firm's chosen approach, its stewardship activities (including a record of significant votes), its stewardship code and investment horizons. Additionally, Aberforth's investment managers meet the funds' largest investors twice a year to explain performance against investment objectives and to set out factors relevant to the investment strategy. Engagement activity with investee companies is addressed, as long as it does not breach confidentiality. During the most recent round of visits in November 2024, the firm conducted 145 meetings with investors, whose combined holdings represented a majority of ASCoT, AGVIT and AFund. This biannual exercise is an opportunity for investors to give feedback and for the investment managers to understand investors' requirements. Appetite for Aberforth's investment offering is formally tested every three years when ASCoT's Annual General Meeting (AGM) contains an ordinary resolution for continuation, with the last occurrence being the March 2023 meeting. In 2023, ASCoT's shareholders approved a resolution to continue the Company. ASCoT's next continuation vote will occur in March 2026. Shareholders are kept informed through annual and interim reports, monthly fact sheets and research produced by Kepler Partners.

The charity fund receives quarterly reports and meets representatives of Aberforth regularly through the year. Further, Aberforth compiled a third annual ESG report, which describes the stock-by-stock risk assessment and evaluation of Environmental, Social and Governance factors for the portfolio. This is complemented by examples of Aberforth's engagement. The relationship with the charity, including investment policy, is covered by an investment management agreement. The client does not operate an exclusions list. It is, though, concerned about exposure to fossil fuels and has committed to a net zero strategy for its wider investment portfolio by 2050 at the latest. In addition to consulting the client before proceeding with a potentially sensitive investment, Aberforth is engaged with the client to support its journey towards a carbon neutral portfolio.

All relevant reports and disclosures made to clients are reviewed by the Stewardship Committee. At least two members of the group attend all fund board meetings to present progress, consider feedback and understand the client position and needs. Aberforth supported all funds in enhancing their approach on stewardship matters in 2024. Consultation with investors is undertaken each year following publication of the funds' annual report and financial statements. The feedback from investors is shared with the boards routinely during board meetings. Additionally, the chair of both investment trust boards writes to the top twenty shareholders offering a meeting and requesting feedback.

Outcome

Aberforth's approach to taking account of the needs of clients and beneficiaries is founded upon regular reporting, contact and dialogue with the clients and underlying investors in the collective funds. This monitoring is undertaken proactively by the investment managers, through twice yearly shareholder visits, and by the board chairs, through annual meetings and feedback. Given the diverse underlying ownership of the collective vehicles, there is inevitably a range of views on investment strategy and stewardship. The boards of the collective vehicles scrutinise Aberforth's stewardship policy and monitor adherence. In the case of the segregated charity fund, regular consultation with its investment committee has led to potential investments not being made. Over the past year Aberforth has followed its stewardship and investment policies for all its investments and clients.

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Context

Aberforth's investment process encompasses all issues that its investment managers judge to be relevant to a company's valuation. An investee company's journey through the process – from pre-purchase analysis to final exit – is determined by the interplay between Aberforth's valuation of the company and the price attributed to it by the stockmarket. Any environmental, social or governance (ESG) issue could, therefore, be of importance, particularly as the increased profile of ESG has brought greater distortions to stockmarket valuations.

ESG analysis is integrated into Aberforth's investment process alongside all other matters relevant to a company's valuation. Aberforth's approach is rooted in the view that a company's system of governance is crucial to how all risks and opportunities – ESG and otherwise – are identified and managed. If their governance is effective, companies will be well-positioned to manage the increasing number of environmental and social issues.

Aberforth's contention is that the perception of ESG deficiencies can create valuation opportunities, as the stockmarket often under-estimates the ability of small companies to take effective remedial action. Aberforth further contends that valuation discounts related to ESG issues can be challenged through a programme of active engagement to encourage the issues to be addressed. Aberforth is well positioned in this regard: engagement has always been a fully integrated component of the investment process. It is achievable because of the firm's commitment to a high level of dedicated and experienced investment management resource.

Philosophy, policies and practices

The Managers' approach to stewardship and ESG is available on the Aberforth website in the "About Aberforth" section. The policy framework is set out in the following documents, which are managed by the Stewardship Committee.

- *About Aberforth*: the background and founding principles of the firm, its core strategic philosophy and nature of the business.
- *Investment Philosophy*: the investment manager's approach to investing as adopted for Aberforth's clients.
- *Stewardship Policy*: Aberforth's approach to the stewardship of its clients' capital.
- *ESG Integration Framework*: the methodology underpinning Aberforth's integration of ESG into the assessment of company value.
- *Engagement and Voting Framework*: how Aberforth engages and votes, along with what is expected of investee companies.

- *Examples of Engagement and Voting*: examples of how the Engagement and Voting Framework is put into action, included as part of this response.
- *Governance and Corporate Responsibility*: Aberforth Partners LLP's approach to stewardship, which is reported annually.

Activity

Integration of stewardship and investment is seamless at Aberforth, supported by the firm's ownership structure and approach to client engagement and portfolio management. As outlined under Principle 2, all investment managers are typically partners of the firm, ensuring that priorities such as ESG are fully embedded in company analysis, engagement, and portfolio management.

ESG integration is underpinned by a proprietary database module, developed internally after reviews of third-party solutions. An internal solution was deemed most appropriate to accommodate the breadth of ESG strategies and the varying levels of disclosure among small UK quoted companies. The module embeds a methodology that assesses ESG attributes annually, with data collection now in its fifth year. As the dataset expands, it may provide deeper insights on ESG specific issues, though a longer data history is required. Further details on Aberforth's ESG Integration Framework can be found HERE.

In practice, the firm divides the stockmarket by sector between its investment managers. Therefore, for the purposes of company analysis and the implementation of stewardship, one manager has lead responsibility for each company. In more complex situations, or when the clients' combined stake in a company exceeds 10%, a second investment manager is appointed to support the lead. A similar approach is taken to client engagement, with each client relationship led by two investment managers (partners). Decision-making, whether at the portfolio management or client engagement level, is undertaken collegiately by the investment managers or, if relevant, by the partners including the operations partner.

Similarly, investment managers engage directly with clients, ensuring that their objectives, time horizons, and instructions are effectively implemented. This level of integration is enabled by Aberforth's small size, the extensive experience of its investment managers, and its relatively flat hierarchy.

Integration of stewardship into the investment process, including the risk component of the ESG framework, is subject to an annual review by the Stewardship Committee, whose role is set out more fully under Principle 2. In 2024, this review resulted in higher risk assessments for five subfactors within the ESG framework spanning four sectors. These risks will be evaluated by the investment managers during the year ahead for companies in the sectors affected.

The stewardship initiatives outlined above have been helped by dedicated resource within Aberforth. The Head of S&IR helps the investment managers with client, firm and investee company matters related to sustainability. After the incumbent moved to another role at Aberforth, the role of Head of S&IR was filled internally.

Outcome

Aberforth has a long record of frequent and in-depth engagement with investee company boards, which, together with its voting commitment, demonstrates the importance of stewardship to the investment process.

Given the frequency of engagement, stewardship considerations affect the overwhelming majority of investment decisions, from new purchases to exit decisions. These investment decisions are always taken in the interests of long-term value for clients and investors, though, as described above, benefits to the economy, environment and society are also considered. The examples below pertain to engagement on environmental and social issues with existing holdings in 2024. Engagement examples where governance issues are the major focus are featured in the responses to Principles 9, 10 and 11.

Example: XP Power (Social – external stakeholders/ product liability)

XP Power, a power supply manufacturer, serves a broad range of customers in the industrial, healthcare, and semiconductor sectors. In October, a media report claimed that components produced by Western companies, including XP Power, had been found in parts of a North Korean missile used in the Ukraine war. Aberforth's research had indicated that XP Power's products would be subject to export controls and sanctions, making this report unexpected.

After engaging with the company, it was determined that the components in question were counterfeit and neither manufactured nor shipped by XP Power. Following this disclosure, we continued discussions with the company to understand its internal controls, which are designed to ensure products are sold only to intended customers in compliance with sanctions and export controls. On the day of our engagement, the company published a statement on its website to refute the erroneous allegations.

Example: Crest Nicholson (Social – external stakeholders/ health & safety)

UK housebuilder Crest Nicholson has been affected by a weak housing market and liabilities associated with legacy sites. In addition, it faces a significant remediation bill for upgrading buildings to meet fire safety standards. The true extent of this liability was unclear in 2024, as the company had only provided for buildings it had surveyed for inadequate protections.

We engaged with the chair on this matter, recommending that the complexity and scale of the remediation programme warranted central management rather than being handled by individual business units. Our view was that centralisation would aid in planning and cost estimation, ensuring the company could address all liabilities while maintaining robust financial health. To support our understanding, we visited one of the remediation sites and met the employees involved.

The changes that we explored were subsequently implemented, and in its annual results the increased its best estimate of the provision for all fire safety remediation.

Example: Xaar (Governance; Environmental – climate change/ pollution and waste)

Significant intellectual property gives Xaar's digital printheads a competitive advantage and their applications are numerous. A notable opportunity at present is car painting: Xaar's printheads offer greater precision and less waste, which brings both cost and environmental benefits. However, the company's relatively small scale has complicated the commercialisation of its technology applications. With trading subdued owing to cyclical pressures, we have engaged with the company to understand how best to fund and support the business. As the company navigates these issues, we have also supported the chair's appointment beyond the standard nine years.

Example: Enquest (Environmental – climate change)

Enquest, a North Sea oil and gas producer, has a strong track record in decommissioning late-life fields on time and within budget. Over the past three years, it has accounted for 30% of wells plugged and abandoned in the basin, executing at a 40% lower cost than peers. We engaged with the company to explore whether this expertise could unlock new earnings opportunities as larger peers exit late-life assets. While Enquest is optimistic that its decommissioning capabilities provide a competitive edge for M&A processes in the UK, it remains too early to determine whether this skillset could earn profits in the future.

Principle 8

Signatories monitor and hold to account managers and/or service providers.

Context

Aberforth has few third-party service providers in the area of stewardship and has instead chosen to conduct most of these activities internally and directly. The firm has a long-standing relationship with a proxy voting adviser.

All other third-party services such as custodianship, audit, IT and cyber risk management are covered by wider company policies and risk management documentation.

Activity

Relationships with external data providers are subject to formal annual review but in practice are assessed continually throughout the year based on the timeliness and quality of their individual reports.

To date, the proxy voting service has been satisfactory. Further information on Aberforth's voting policy can be found in Aberforth's Engagement and Voting Framework HERE.

Other third-party providers of ESG information and data are kept under periodic review and may prove useful in the future to improve the firm's sustainability analysis and disclosures.

Outcome

While Aberforth employs the services of a proxy voting adviser, investment managers are under no obligation to follow its recommendations and may take a different view. The response to Principle 12 shows examples where this was the case in 2024. It is also the case that interaction with companies on issues raised by the proxy adviser can lead to a change in the investment manager's original voting decision.

Aberforth retains the view that the measurement and evaluation of ESG factors cannot reliably be outsourced to a third-party. This is because of the lack of consistent methodology and inadequate coverage of the small UK quoted companies amongst data providers. This informed Aberforth's decision to build a bespoke ESG module as part of its proprietary database in 2022. Population of the ESG module is informed by engagement with companies and by investee companies' annual reports and sustainability reports.

Principles 9, 10 and 11

Signatories engage with issuers to maintain or enhance the value of assets.

Signatories, where necessary, participate in collaborative engagement.

Signatories, where necessary, escalate stewardship activities to influence issuers.

Context

Aberforth's policy on engagement is governed by the principles outlined in its Engagement and Voting Framework, found HERE. Responses to Principles 9, 10 and 11 have been combined to avoid repetition and to reflect the related nature of the three components.

Engagement is an essential element of Aberforth's investment philosophy and process. The investment managers regularly engage with executives and boards of investee companies in an open and constructive manner. Aberforth believes that its clients and investee companies benefit from a policy of direct engagement that practises discretion when engagements are live. The firm's experience is that ill-timed disclosure and public confrontation hinders the chances of successfully effecting change.

A flexible approach to engagement is important. This reflects the diversity of business models and differing specific circumstances facing individual businesses, particularly within the universe of small UK quoted companies. Moreover, Aberforth is conscious that the broader economy benefits from a thriving smaller companies sector and that this may be stifled by a one-size-fits-all engagement policy.

While determined to encourage high standards of stewardship and corporate behaviour, Aberforth does not wish to burden small company boards unnecessarily with engagement guidelines that can appear to have been designed for larger companies. This, for example, might mean taking a pragmatic view on compensation in acknowledgment of the considerable competition for executive talent.

Activity

Aberforth's clients in aggregate often hold significant stakes in investee companies. The investment managers tend, therefore, to have good access to executive and non-executive directors. The preference is for face-to-face meetings, particularly when addressing sensitive topics. Meetings at the firm's Edinburgh office makes it easier for several members of the investment management team to participate. Aberforth's engagement is also conducted through virtual meetings, phone calls and e-mail.

Aberforth reviews and prioritises planned engagements at its weekly investment committee, or on an ad hoc basis in response to events. Engagement is conducted by the investment managers. Their number and experience allow multiple engagements to occur at any given time. The investment manager with responsibility for the company presents the case to the investment committee and, if necessary, proposes an engagement strategy. The ensuing discussion, which takes into account the holding size and the ability to influence, results in the agreement of an engagement strategy and objectives. In common with the context and activity outlined in Principles 1 and 6, the objective of this engagement will be to either preserve or enhance value for clients. This way of operating is consistent across all Aberforth's client mandates.

As part of on-going due diligence and appraisal of the investment universe, Aberforth typically meets executive directors of investee companies at least twice a year. The format for meetings is normally in-person at Aberforth's Edinburgh office, but the investment managers frequently travel to meet companies. These meetings address operational and financial performance, competitive positioning in the context of broader industry developments, outlook, strategy and capital allocation, all of which might involve environmental, social and governance issues. The outputs from these engagements are used to inform a view on a company's underlying value, which allows it to be considered in the broader capital allocation process.

Interaction with executives helps to understand a company and the issues affecting it, but the chair's role is pre-eminent within the UK's governance regime. The chair has oversight of the executives and is responsible for strategy and capital allocation. Accordingly, Aberforth's engagement approach emphasises contact with the chair. The frequency and depth of engagement with the chair increases proactively as the stake held by the firm's clients rises and reactively should the investment case deviate from its expected path. Aberforth also values engagement with the senior independent non-executive director and other non-executives. This engagement is particularly crucial when there are questions about the chair's performance or when the chair's succession becomes a pertinent issue. In addition to the topics raised in executive meetings, engagement with non-executives can address upcoming votes, remuneration, executive performance, board succession, corporate strategy and culture, environmental commitments, and capital allocation.

As part of its engagement approach, Aberforth operates a formal "significant stakes" process, which commences when clients' collective interests exceed 10% of the voting rights in an investee company. This triggers a review of the investment case and engagement requirements, though becoming a "significant stake" is not in itself a reason to escalate engagement. An additional investment manager is assigned to the company. That manager may participate in meetings with directors and provides additional rigour and challenge to the existing investment case. "Significant stakes" are reviewed collectively and formally at least once per year. The upper limit for a "significant stake" is 25% of a company's shares in issue. Such a stake brings great influence, though Aberforth does not seek board positions. Rather, its *modus operandi* is to work with and through the company's executives and independent non-executives.

Since Aberforth's clients are often large holders of investee companies, the investment managers are usually able to engage directly and effectively with board members. There are, however, instances when a collective approach to engagement may be appropriate. These collective engagements can occur when Aberforth considers the cumulative holdings of the firm's clients insufficient to effect change. The firm's interaction with other investors is influenced by the terms of the Takeover Code. Beyond specific engagements, Aberforth sees value in the sharing of views with other industry practitioners, which can involve participation in industry forums.

Aberforth typically escalates its engagement when an investment thesis starts to stray from the expected path. The escalation process exists to protect the interests of Aberforth's clients. The weekly investment meeting is the forum for formal consideration of the status and effectiveness of live engagements. The investment manager responsible for the company in question leads the discussion, which involves analysis of the situation and the progress made to date. Together with the rest of the investment management team, an escalation plan is formed. The plan seeks to address the concerns of Aberforth and propose how, and in what time frame, they might be remedied. The first move in an escalation is usually to engage with the chair, but, if the chair is considered part of the problem, the focus turns to the senior independent director. Aberforth may also contact the company's advisers and other investors to inform them of concerns. Other options include a formal letter expressing concerns and expectations to the board, as well as the requisition of general meeting. In practice, the "significant stakes" process described above often overlaps with, and forms part of, an escalation plan.

Outcome

Attractive valuations spurred a busy year of M&A activity, with 20 companies in the DNSCI (XIC) subject to takeover interest – eight of which were held by Aberforth. This made M&A a focus of engagement with investee companies throughout the year. In engaging with chairs, Aberforth makes clear that it expects to be consulted on any significant events affecting shareholders, including M&A interest. The case study of Wincanton, detailed below, is an example from 2024, where the lack of consultation forced us to escalate our engagement with the company.

While M&A activity can unlock value gaps, there is also a risk that low starting valuations lead boards to recommend prices that do not reflect a company's true intrinsic value. Such was the concern that Aberforth took the unusual step of writing to the chairs of all investee companies in April 2024. The letter, referencing the firm's Engagement and Voting Framework, set out clearly the firm's expectations for timely consultation and affirmed Aberforth's willingness to become insiders, potentially for an extended period. Several responses from companies led to consultations about early stage M&A interest. In cases where the indicative valuations were inappropriate, Aberforth supported the boards either to reject the interest or improve the terms.

Over the course of 2024, Aberforth conducted 334 executive level meetings and 146 non-executive meetings with companies. These numbers compare with 412 and 135 respectively during 2023. The examples below describe a selection of investee company engagements conducted in the year. These engagements, addressing a range of business issues at various levels of escalation, shared the common goal of unlocking shareholder value.

Engagements focused on environmental and social issues are detailed in our response to Principle 7.

Example: Centaur Media

In 2024, Centaur Media announced the unexpected departure of its chair. Aberforth engaged with the board to outline the qualities we felt were necessary in a successor, emphasising experience in strategic reviews given concerns over the company's scale and growth prospects. Another shareholder, already represented on the board, introduced a suitable candidate. While Aberforth typically avoids supporting shareholder-nominated directors owing to potential conflict of interests, the candidate's expertise aligns well with the role. Aberforth's support was conditional on the nominating shareholder's current director stepping down, which occurred upon the new chair's appointment.

Example: Marston's

In early 2024, the chair of UK pub operator Marston's resigned to take up the same role at a larger company. Given Marston's leveraged balance sheet, we recognised the need for an experienced chair to support the executive team. Aberforth engaged with the senior independent director to introduce a candidate who had executed well on behalf of shareholders in other investee companies. Following a thorough search process, Marston's appointed that candidate, Ken Lever, as chair.

Example: Senior

Senior, an aerospace engineer, has intermittently reviewed the potential disposal of its aerostructures assets since 2019. Over the past year, Aberforth engaged with both the chair and executives to discuss aspects of this process. A focus was the use of any disposal proceeds, where Aberforth advocated for their return to shareholders. In our view, this would reinforce financial discipline in M&A and ensure high return thresholds are maintained. We clarified that this would not preclude the company from seeking equity funding for future acquisitions, which we would assess on their merits. As Senior has yet to proceed with a disposal, it remains to be seen whether our engagement will influence the outcome.

Example: Rank Group

Leisure operator Rank suspended dividend payments at the onset of the pandemic. Despite achieving a net cash position by 2022, the company delayed reinstating dividends owing to uncertainty over regulatory changes affecting casinos. We engaged with Rank to assess the scope, objectives, and potential impact of the reforms, as well as the investment needed to capitalise on them. We advocated the resumption of dividends alongside a clear and thoughtfully considered policy. Subsequently, Rank confirmed a dividend at its interim results, and we continue to engage with the company to clarify the definition of its "progressive" dividend policy.

Example: Foxtons

Foxtons has endured depressed trading conditions since the EU referendum. These were complicated by a strategy that was overly focused on cost control and undermined market share. In the face of considerable shareholder agitation, we supported the chair as he changed the board and appointed a new CEO, who has revitalised the business. Amid consolidation within the estate agency market and speculation about Foxton's own independence, we have continued to support the board, judging that the new strategy can yield further upside and that M&A is unlikely to achieve fair value amid still volatile market demand.

Example: TI Fluid Systems

TI Fluid Systems (TIFS) manufacturers tubes used in cars to convey brake fluid, glycol and fuel. It has managed the transition to electric vehicles (EVs) well, maintaining its average content per vehicle, and coped better than most in 2024 as demand for EVs waned. This resilience attracted the attention of ABC Technologies, which is owned by Apollo private equity. Their 200p bid was recommended by the board. We were disappointed by the terms of the deal, which undervalued the company and took advantage of currently depressed valuations within the car industry. Our engagement with TIFS over the years has addressed the influence of Bain, the private equity house that floated the company in 2017. It has board representation but has reduced its stake consistently, to 28% at the time of the bid. We have been concerned that Bain's agenda has not always been in the best interests of other shareholders and the circumstances of the bid add to this impression. Notwithstanding our engagement, the bid has been approved. While we acknowledge the board's strategic and operational progress, we are frustrated that greater patience could have led to a better outcome for shareholders.

Example: Wincanton

In January, logistics provider Wincanton announced it had agreed to a takeover bid from CEVA, a trade competitor, at 450p per share, representing a 52% premium to the prevailing share price. As Wincanton's largest shareholder, Aberforth was disappointed that the board ignored our request for timely consultation before recommending the offer. We believed the takeover premium was applied to a depressed share price and that the implied valuation multiple of approximately 10x normalised earnings undervalued the company and its future prospects.

Following our engagement, a period of negotiation with the bidder resulted in an improved offer of 480p, which materialised without Aberforth providing an irrevocable commitment to support the revised bid. This demonstrated that had the board engaged with major shareholders earlier, a higher offer might have been secured from the outset. Our active involvement and clients' significant stake in the company played a critical role in securing a superior 605p counteroffer from US logistics peer GXO.

The tactical use of an irrevocable commitment to vote in favour of the GXO deal was a valuable tool in significantly enhancing the final outcome for our clients and other shareholders. The completed transaction crystallised an additional £31 million of value for Aberforth's clients compared to the initial offer.

Example: Card Factory

Card Factory's trading has rebounded strongly in recent years as consumers have returned to physical shopping habits following the pandemic. As a result, cash generation has improved, and the company's balance sheet is now in a significantly stronger position. A key theme of our on-going engagement, which continued in 2024, has been capital allocation, particularly in relation to the company's dividend strategy. Encouragingly, at its full-year results, the board announced a return to the dividend register and a commitment to return surplus capital to shareholders.

Example: Close Brothers

Close Brothers is a merchant bank specialising in niche lending, with around 20% of its loan book exposed to motor finance. In early 2024, the Financial Ombudsman Service ruled in favour of two complainants in a case against lenders regarding discretionary commission payments to motor dealers. This prompted the Financial Conduct Authority (FCA) to launch an industry-wide review of such payments.

Later in the year, the Court of Appeal ruled in favour of three cases brought by claims management companies that argued motor dealers act as credit brokers and therefore owe a fiduciary duty to customers, with Close Brothers among the defendants. The UK Supreme Court is now set to hear the appeal.

Given that the FCA review and the Supreme Court appeal could have significant implications for the broader UK consumer credit sector, we undertook a comprehensive engagement to assess the potential effects and penalties. In addition to engaging directly with Close Brothers, Aberforth met a trade body representing consumer credit companies and sought independent legal advice to explore the legal issues their potential ramifications. We also engaged with other investee companies, both directly and indirectly involved, to build our understanding of the possible indirect effects on other business models. These engagements continued through the end of the year.

Example: Morgan Advanced Materials

Under its outgoing chief executive, Morgan Advanced Materials has enhanced operational performance and addressed its pension deficit. This should lead to structurally higher free cash flow in the future, providing greater flexibility in capital allocation decisions. Aberforth has engaged with the company on capital allocation since the pandemic, having previously expressed concerns that it acted prematurely in rebasing its dividend, which sent mixed signals given the imminent reduction in pension plan cash contributions.

In 2024, we encouraged the new chair to articulate clearly the group's capital allocation priorities, including shareholder returns, organic and inorganic investments, and balance sheet management. We believe the dividend policy should be strengthened to adopt a progressive policy, defined as at least maintaining the dividend and with a target to grow the dividend in-line with earnings through a cycle. Our engagement on this matter continues.

Collective engagement

During the year, Aberforth engaged with other shareholders on matters related to several investee companies. Anonymised examples are used where engagements are sensitive in nature and where disclosure at this time would be counterproductive.

Example: NCC

Soon after the arrival of a new executive team at cybersecurity consultant NCC, market conditions deteriorated sharply. In a meeting with another institutional shareholder, it became clear there was a common concern about executive retention, given profits and the share price had rebased almost immediately following their appointment. Aberforth engaged with the chair and head of the remuneration committee to support adjustments to the incentive plan, ensuring better alignment with the strategic goals of the company and with shareholders' interests. After consultation with Aberforth, changes were implemented, and a new remuneration policy was approved.

Example: Company A

An institutional shareholder approached Aberforth, advocating that the board run a search for a new non-executive director with private equity and capital allocation expertise. This was based on their view that Company A could become an M&A target or alternatively develop a strategy to pursue acquisitive growth. We engaged with the chair on the matter and were reassured that recent board appointments had already taken these skillsets into account.

Example: Company B

During the year, Aberforth was contacted by a large shareholder of an oil and gas producing company seeking support for a board appointment nominated by them. We reaffirmed our independence and typical stance against shareholder-nominated directors. Additionally, we cautioned that board changes could undermine the chair, given the board restructuring that had occurred under his leadership, and possibly jeopardise critical licence extension negotiations in the company's most valuable region. No shareholder-nominated director was ultimately proposed.

Principle 12

Signatories actively exercise their rights and responsibilities.

Context

There are three main methods by which Aberforth exercises its rights and responsibilities.

- The investment managers **engage** with the boards of investee companies in order to understand strategy and governance and, if necessary, to effect change. The ability to engage is improved by Aberforth's willingness to take meaningful stakes in investee companies on behalf of its clients. On most occasions, issues of board structure, dividend policy, remuneration and share issuance permissions will have been discussed, and potentially changed, before these issues are put to shareholders for approval at a General Meeting.
- **Voting** is a fundamental right for shareholders and is an important means by which Aberforth exercises stewardship on behalf of its clients. The firm's policy is to vote on every resolution put to shareholders at a General Meeting. Aberforth voted on all items at all general meetings over the past year, in line with its policy. Because of the depth and frequency of engagement with the boards of investee companies, Aberforth will have had the opportunity to influence important issues before they are put to shareholders at a general meeting. This results in fewer votes against the board or abstentions than might otherwise be expected.
- The third method is to **sell** a holding – a basic concept but one that sets listed equities apart from some other asset classes. When an investee company encounters operational difficulties, Aberforth typically engages to understand if a change of strategy or of personnel on the board might plausibly contribute towards an improvement in the company's prospects. If that does not appear forthcoming, Aberforth will typically exercise its right to sell the holding.

Aberforth manages four client funds, as described under Principle 6. Three of the funds follow the firm's voting policy, with the firm exercising the voting rights. The segregated charity account retains its own voting rights and, while it receives voting advice from Aberforth, may choose to override Aberforth's policy. Aberforth's three collective funds do not engage in stock lending. The segregated charity fund may do so.

Research from Aberforth's proxy adviser, ISS, is considered, but the firm does not automatically follow ISS's recommendations. Aberforth takes a pragmatic, rather than a prescriptive one-size-fits-all approach, which has proven beneficial over time. This acknowledges the heterogeneous nature of the universe of small UK quoted companies and the proportionately greater governance burden on the typical small company.

Further information on Aberforth's Engagement and Voting Framework can be found HERE.

Activity

Votes were cast on all resolutions in respect of all shares held under Aberforth's voting control. No voting decisions were taken by another entity on behalf of these shares. Shareholdings and voting rights are monitored through in-house fund accounting systems and ISS, which are reconciled with custodians' records.

	For	Against	Abstain
Aberforth Partners	1,570	6	15
ISS Voting Guidance	1,560	27	4
Aberforth Partners	98.7%	0.4%	0.9%
ISS Voting Guidance	98.1%	1.8%	0.3%

The above table summarises Aberforth's voting statistics during 2024 and compares them with ISS voting guidance. Of the 1,591 resolutions voted, Aberforth was for 1,570, against 6 and abstained on 15. Consistent with the explanation above, Aberforth's lower proportion of votes against compared to ISS' guidance reflects the regular dialogue with investee companies. It is often the case that Aberforth is consulted on major issues and is therefore able to influence them before they are put to a vote. In 2024, Aberforth voted at 101 meetings, of which 88 were general, 9 were special and 4 were court meetings associated with M&A approvals. In aggregate, votes were cast on resolutions among 92 portfolio companies.

Outcome

Votes cast against or withheld 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: National World

AGAINST on the re-election of David Fordham, a non-executive director

Aberforth does not seek non-executive director positions and does not normally support shareholder-nominated directors. Such appointments risk conflicts of interest, which require careful management. In this case, we were sufficiently concerned as to vote against the appointment of a non-independent non-executive director at National World.

The resolution passed with 75.4% of votes FOR.

Example: Centaur Media

ABSTAINED on the re-election of Richard Staveley, a non-executive director

Aberforth does not pursue non-executive director positions and typically does not support shareholder-nominated directors, as such appointments can pose potential conflicts of interest that require careful management. This contributed to our decision to withhold our votes against the appointment of a non-independent non-executive director at Centaur Media.

The resolution was passed with 100% of votes FOR.

Example: Mitchells & Butlers

AGAINST on the re-election of Bob Ivell, chair
ABSTAIN on the re-election of Keith Browne, Eddie Irwin and Josh Levy, non-executive directors

Mitchells & Butlers' chair, Bob Ivell, has served since 2011 and is no longer considered independent, with no clear justification for his extended tenure. Aberforth also has concerns about his previous record as chair of Carpetright. Since the board lacks a majority of independent directors and has three directors representing shareholders, a strong, independent chair is crucial. Aberforth abstained from voting on the re-election of the three Odyzean-nominated directors, in line with our view on the risk of conflicts of interest from shareholder-appointed directors.

The resolutions passed with 70.4%, 96.0%, 93.6% and 77.7% respectively.

Example: Xaar

ABSTAINED on the election of Stuart Widdowson as a non-executive director

Xaar is enduring a difficult period of trading, amid generally weak demand for its digital print heads, particularly from printer companies serving the Chinese ceramics market. Additionally, while the company's significant intellectual property yields many new product opportunities, it has struggled to commercialise these in a timely fashion. These problems have led to greater shareholder engagement, which for Aberforth has focused on regular contact with the chair. One of the other significant shareholders has taken a different approach, demanding a seat on the board. In general, we are uncomfortable with shareholders having board representation since it is not clear to us that the potential conflicts of interest can be appropriately handled. However, we were consulted by the chair in this instance and were persuaded that the shareholder's presence on the board could be helpful to the company. Therefore, we keep the situation under review but pragmatically abstained on the reappointment of the shareholder as a non-executive director.

The resolution passed with 100% of votes FOR.

Example: MJ Gleeson

ABSTAINED on the re-election of James Thomson, chair
ABSTAINED on the re-election of Christopher Mills, a non-executive director

Aberforth typically prefers an independent chair on investee company boards. In the case of MJ Gleeson, we remain concerned that the chair-elect previously served as the company's chief executive officer. Having engaged with the company on this matter in the past and found no specific issues of concern, we took a pragmatic approach and withheld our votes for his re-election.

Separately, Aberforth does not seek non-executive director positions and does not normally support shareholder-nominated directors. Such appointments risk conflicts of interest, which require careful management. This contributed to our decision to withhold our votes against the appointment of a non-independent non-executive director at MJ Gleeson.

The resolutions passed with 97.4% and 96.5% of votes FOR.

Example: Spirent

AGAINST on the re-election of Sir Bill Thomas, chair

Keysight Technologies, a larger US firm in the telecom equipment testing sector, was successful in a competitive bid process Spirent. Keysight's offer surpassed that of rival Viavi by 15%, despite Viavi's bid having been recommended by Spirent's board. In our view, the board was too quick to acquiesce to Viavi's takeover interest. At the recommended price, the valuation fell well short of our assessment of Spirent's intrinsic value, raising concerns about the chair's effectiveness. As a result, we voted against his re-election. Nevertheless, the Spirent bid process ultimately delivered a profitable investment outcome for clients.

The resolution passed with 96.0% of votes FOR.

Whilst voting FOR a management proposed resolution or voting AGAINST a shareholder requisitioned resolution does not usually merit explanation, there are circumstances in which such votes are significant. The example below demonstrates the importance of combining voting decisions with proactive engagement.

Example: RM

FOR on amendments to the Restricted Stock Plan
FOR the Remuneration Policy

In 2022 RM mishandled an ERP implementation and warehouse consolidation, which affected trading and left the group with too much debt. The chair brought in new executives, but recruitment of able managers risked being hampered by remuneration rules. The specific issue was best practice guidelines that limited share dilution to 10% over 10 years. The board sought shareholders' support for relaxing the dilution limits up to 12.5%. This we gave by voting in favour of the remuneration report and policy, despite a recommendation to vote against by ISS. We were swayed by the fact that much of the potential dilution was unlikely to be triggered since it related to schemes pre-dating the trading problems and share price decline. For us, it was much more important to incentivise the current management team, who are undertaking the turnaround.

The resolutions passed with 97.7% of votes FOR each resolution.

Example: National World

FOR on the re-election of David Montgomery, executive chair

While Aberforth generally prefers an independent chair on investee company boards, there are instances where an executive chair is appropriate. In the case of National World, proxy advisers raised concerns about the chair's executive role. However, Aberforth took a pragmatic approach, recognising that the company's strategy to consolidate legacy UK print titles depended on the chair's influence and industry relationships.

The resolution was passed with 86.3% of votes FOR.

Example: Dialight

FOR the Remuneration Policy

FOR the Value Creation Plan

This designer and manufacturer of industrial-use LED lighting faced trading headwinds and significant litigation in 2024. Previously, Aberforth had led an engagement to introduce an executive chair, who has since assembled a strong team to execute a credible strategy. Given the company's unusual circumstances, ensuring the remuneration policy was fit for purpose and capable of motivating and retaining executives required pragmatism. In the early months of the year, our engagement turned to the design of a Value Creation Plan that would reward participants with a share of the value generated for shareholders. The proxy adviser recommended voting against the proposal, citing concerns over the use of absolute total shareholder return (TSR) metrics and the fact that the plan would vest in full upon a change of control.

The resolutions passed with 96.6% of votes FOR each resolution.

Votes different from proxy adviser recommendation

During 2024 there were 46 resolutions on which Aberforth voted differently from ISS's recommendations. Examples are set out below.

Example: Castings

FOR on the re-election of Andrew Eastgate, a non-executive director – proxy adviser was AGAINST

Castings manufactures and machines castings, mostly for the heavy truck market, in the UK. Its success is reflected in a long record of dividend growth and owes much to its unique culture. Important aspects of this culture include the relative simplicity of the business, a reliance on self-funded investment, with debt never having been used, and a small board. The company's conservatism has served it well, but there is a trade-off – it is often slow to adopt new governance standards. At the present time, there is no woman or person of minority ethnic background on the board, which led to ISS recommending a vote against the chair of the nomination committee. We nevertheless voted in favour of his reappointment. Through our engagement with the company, we are confident that the board takes these diversity rules seriously. Moreover, we believe that pragmatism is important, particularly in the case of small companies whose distinctive corporate cultures have served shareholders well over time.

The resolution passed with 87.6% of votes FOR.

Example: Rank

ABSTAIN on the re-election of Chew Seong Aun, a non-executive director – proxy adviser was FOR

Rank has a controlling shareholder with a c.60% stake in the company. Aberforth abstained on the re-election of the shareholder-nominated director, who also serves as CFO of a subsidiary owned by the shareholder. This reflected potential conflicts of interest while demonstrating pragmatism, given the shareholder's longstanding involvement in the company.

The resolution was passed with 99.9% of votes FOR.

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