

VOTING AND ENGAGEMENT ACTIVITY

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

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

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

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

KPN

We met with KPN, the Dutch telecommunications group, in July 2021.

Investment rationale

KPN is a well-run, single country telco based in the Netherlands (NL). It offers converged packages of fixed and mobile connections. The Netherlands market has consolidated into three main players, KPN, VodafoneZiggo and T-Mobile. We believe KPN should benefit from market repair of the recently consolidated market, along with higher average revenue per user (ARPU), a higher net promoter score (NPS), and lower churn from its converged customer base. It should also benefit from significant free cash flow (FCF) growth as it reduces costs through digitisation while keeping capex flat. The group's new CEO (previously the COO) is executing a medium-term plan to grow FCF and eventually return the business to revenue growth. KPN's shares are currently cheap. We think there is substantial scope for re-rating as the group shows itself to be a steady grower with compounding FCF growth. The recently announced share buyback is a positive sign.

Areas of engagement	Potential impacts
Net Promoter Score (NPS) level	Social and financial
Cost savings	Financial and social
Public's view of KPN as a brand	Social
Medium term plan design	Governance and financial

Objectives of engagement

- To understand the drivers behind customer satisfaction trends
- To understand better the cost savings and the group's simplification programme
- To get a feel for the approach of the CFO
- To communicate our thoughts on capital returns and the balance sheet
- To communicate our thoughts on the new management plan vs the previous one

Key issues and discussion

1) Customer NPS and churn management

KPN's NPS was higher before the pandemic. Once Covid hit, customers relied on Wi-Fi and noticed many more problems, generating more service calls, which were handled by fewer staff. Customers' tolerance for problems started declining from last spring. The group has installed batteries to help with variation in the power supply and has also hired more support employees and mechanics, which is having a positive impact on the group's NPS by helping to lower the number of calls and complaints. KPN has also relaunched an app to enable customers to manage their account and book an engineer visit.

2) Successful execution of medium-term plans and returning KPN to FCF growth

KPN is undertaking a comprehensive cost savings programme. It is simplifying and digitising its business, which is driving cost reductions and improving customer outcomes. The main areas of cost savings include new automated systems (which are helping to reduce overheads), a new app focusing on customer service, and the migration of its XS4ALL (internet service) brand onto the KPN corporate platform.

In terms of office space, KPN will keep small shops as long as competitors retain theirs. These will provide customers the opportunity to see new mobile phones and buy broadband. Some office space will still be used as employees will spend at least two days in the office each week. The group plans to close some of its offices as leases allow.

3) Successful turnaround of business units

KPN has seen an increase in the number of SME clients taking three group products and targets further progress. It's also working to improve its cross selling of mobile services.

Our requests / feedback

- We requested that KPN pay off its hybrid debt instruments as they become callable, where possible.
- We fed back that we supported KPN's buy-back as a way of returning excess cash to shareholders, since this shows discipline and builds trust with the market.

Escalated issue(s): None

Outcomes from engagement: None

Any impacts on proxy voting: No

Resiliency score: High (unchanged since last quarter)

KPN is run with a focus on customers, staff and suppliers, as well as shareholders. It is reducing costs and improving its offer by simplifying the business and by automating and digitising some of its operations. The group operates in a competitive market.

Conviction score: Unchanged (since last quarter)

KPN is turning itself around – it is now a much simpler business. There is a nice background drumbeat of cost savings, augmented by various projects to decommission old systems and networks, and rationalise real estate. Mass market revenues are back to growth and the group's SME unit is on target to stabilise later this year. Return on capital employed (ROCE) is gradually rising. Free cash flow (FCF) growth is constrained next year by a step-up in cash taxes, but beyond that, it should be around 10%+ per annum, with almost all FCF being returned to shareholders via dividends and the group's planned buyback.

Standard Chartered

In August 2021, we met with the CFO and Investor Relations of Standard Chartered (STAN), the multinational banking and financial services group. STAN is mainly a corporate and commercial bank, focused on emerging markets, particularly in Asia.

Investment rationale

STAN's business is fairly diversified in terms of revenue. Hong Kong and mainland China are its most important markets. The group has an experienced management team who have been working over the last five years to fix the problems created by the bank's prior period of rapid expansion. STAN is restructuring and simplifying the business, resulting in strong growth in income before the pandemic. STAN has been reducing exposure to commodity-related sectors (most lending to commodity companies is very short term) as these were a source of problems in 2015. There's also some positive early traction for its app bank, Mox.

Areas of engagement	Potential impacts
Group's relationship with China and Hong Kong	Social and financial
Credit cycle and returns potential	Financial

Objectives of engagement

- To understand better the regulatory and political situation in mainland China and Hong Kong
- To understand better the returns potential of the business
- To discuss the current cycle

Key issues and discussion

1) Increased shareholder returns following the pandemic

There is some hard evidence of recovery coming through, as STAN's loans and advances were up about 6% in H1. Also, the bank is finding that corporates are generally managing to navigate the pandemic even if they have more debt on their balance sheets. If interest rates take time to return to pre-Covid levels, STAN thinks this could also help keep credit impairments lower.

STAN is also focused on returns. It feels it could eventually reach its 10% ROTE target if costs are tightly controlled and revenues gradually improve. Sources of income that are not balance sheet linked are attractive; where income is linked to the group's balance sheet (such as lending), the bank will look for the necessary collateral to reduce overall risk. Large multinational banks tend to be the least cost efficient due to variances in regulation across countries. STAN is focused on volume and on automation to make its size work.

Any potential M&A would need to be assessed in the context of returns and other uses of capital, such as buying back shares.

2) Global tensions between Hong Kong, China and the US

STAN has operated in Hong Kong and China for 160 years. Its Chinese businesses are run by Chinese employees, not ex-pats. While the world worries about Hong Kong, there has not been a mass flight of people or businesses out of Hong Kong; the Hong Kong stock exchange is doing a record number of IPOs. STAN has improved its relationships in China both on the political and regulatory sides. The bank thinks it is regarded as genuinely apolitical. The greater bay area of China is likely to be one of the parts of the world with above average growth over the next few years. STAN has moved its loan book substantially over the last several years towards growing industries.

Our requests: None

Outcomes: None

Escalated issue(s): None

Any impacts on proxy voting: No

Resiliency score: Average (unchanged since last quarter)

STAN benefits from a strong and experienced management team and good market positions in its most important territories. It is highly regulated and must also manage political risks carefully. It is well capitalised with strong balance sheet metrics.

Conviction score: Unchanged (since last quarter)

STAN's end markets are arguably in a better position than five years ago and underlying GDP growth can help smooth the downturn caused by the virus. The recovery in STAN's business appears to be starting to come through in the numbers. The shares trade on a low valuation, with potential for a rerating if management can demonstrate sustainably higher returns.

VOTING RECORD SUMMARY

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

SUMMARY	VOTES	PERCENT
Number of meetings voted at this period	43	
Number of resolutions	601	
Where we voted in line with Management	571	95.0
Where we have not voted in line with Management	30	5.0

Source: Majedie, ISS (Institutional Shareholder Services)

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

CATEGORY	AGAINST MANAGEMENT	ABSTAIN
Antitakeover Related	0	0
Capitalization	4	0
Directors Related	4	1
Non-Salary Comp.	2	0
Reorg. and Mergers	0	0
Routine/Business	20	0
Total	30	1

Sources: Majedie, ISS (Institutional Shareholder Services)

VOTING RECORD DETAILS

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
3I	01 Jul 2021	AGM	Against Resolution 15
ACCSYS TECHNOLOGIES	17 Sep 2021	AGM	Voted for all
ASHTED GROUP	16 Sep 2021	AGM	Voted for all
AUCTION TECHNOLOGY GROUP	20 Aug 2021	EGM	Voted for all
AUTO TRADER	17 Sep 2021	AGM	Voted for all
AVEVA	07 Jul 2021	AGM	Against Resolution 7
BLOOMSBURY PUBLISHING	21 Jul 2021	AGM	Voted for all
BYTES TECHNOLOGY GROUP	22 Jul 2021	AGM	Against Resolution 13
CAIRN ENERGY	19 Jul 2021	EGM	Voted for all
CARD FACTORY	28 Jul 2021	AGM	Voted for all
CURRYS	15 Sep 2021	AGM	Against Resolution 14
DIAGEO	30 Sep 2021	AGM	Against Resolution 16
DISCOVERIE GROUP	29 Jul 2021	AGM	Against Resolution 19
DR. MARTENS	29 Jul 2021	AGM	Against Resolution 14
DWF GROUP	28 Sep 2021	AGM	Against Resolution 16
ECO ANIMAL HEALTH GROUP	16 Sep 2021	AGM	Against Resolution 1
ELECTROCOMPONENTS	15 Jul 2021	AGM	Against Resolution 14
EQTEC	17 Aug 2021	AGM	Against Resolutions 1, 6, 7
FIRSTGROUP	13 Sep 2021	AGM	Against Resolution 18
FULLER SMITH & TURNER	23 Sep 2021	AGM	Against Resolutions 3, 10
GAMES WORKSHOP GROUP	15 Sep 2021	AGM	Voted for all
GB GROUP	29 Jul 2021	AGM	Voted for all
HOMESERVE	16 Jul 2021	AGM	Voted for all
KNIGHTS GROUP HOLDINGS PLC	21 Sep 2021	AGM	Voted for all
LIONTRUST ASSET MANAGEMENT	23 Sep 2021	AGM	Against Resolution 13
MARKS & SPENCER	06 Jul 2021	AGM	Against Resolution 18
MARLOWE HOLDINGS	15 Sep 2021	AGM	Voted for all
MITIE	27 Jul 2021	AGM	Against Resolution 14
MOONPIG GROUP	28 Sep 2021	AGM	Against Resolution 18
OXFORD INSTRUMENTS	21 Sep 2021	AGM	Voted for all
QINETIQ	21 Jul 2021	AGM	Against Resolution 14
RYANAIR	16 Sep 2021	AGM	Against Resolutions 4d, 4f
SPEEDY HIRE	09 Sep 2021	AGM	Against Resolution 19
STOCK SPIRITS	20 Sep 2021	Court	Voted for all
STOCK SPIRITS	20 Sep 2021	EGM	Voted for all
SUMO GROUP	10 Sep 2021	Court	Voted for all
SUMO GROUP	10 Sep 2021	EGM	Voted for all
TINYBUILD	26 Jul 2021	AGM	Against Resolutions 2, 5
VODAFONE	27 Jul 2021	AGM	Against Resolution 22
WATCHES OF SWITZERLAND GROUP	02 Sep 2021	AGM	Against Resolution 11
WM MORRISON	27 Aug 2021	Court	Voted for all
WM MORRISON	27 Aug 2021	EGM	Voted for all

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
YOURGENE HEALTH	28 Sep 2021	AGM	Against Resolution 9; Abstain on Resolution 3

Source: Majedie

