ADELPHI

Adelphi Capital LLP

SRD II Engagement Policy -2021

Under COBS 2.2B of the FCA Handbook, Adelphi Capital LLP ("Adelphi") is required to publicly disclose its Engagement Policy in order to meet the requirements of the revised Shareholder Rights Directive II ("SRD II"). SRD II promotes better shareholder engagement and improved transparency in the ownership of companies. Furthermore, SRD II requires asset owners and asset managers to make disclosures about their long term investment strategies, their arrangements with each other and their engagement with the companies they invest in.

This Engagement Policy describes Adelphi's approach with regards to each requirement as set out under Article 3g of SRD II:

1. **Integrates shareholder engagement in its investment strategy:**

   Adelphi is a fundamental, research driven, long-term investment management firm and makes investment decisions based on proprietary research and meetings with company management. We regularly meet with the management teams of the companies we invest in to better understand their businesses and their strategic objectives. Our in-depth research, knowledge and understanding of the investee companies enables us to express our opinions on the strategy and performance of the companies directly to management as well as through the use of our shareholding vote. Adelphi may challenge management on their delivery of corporate strategy, financial and non-financial performance, capital structure and ESG issues. Meeting and engaging with company management is a fundamental aspect of Adelphi's investment strategy.

2. **(a) Monitors investee companies on strategy, capital structure, financial and non-financial performance:**

   Adelphi actively monitors the strategy, capital structure, financial and non-financial performance of every investee company within our portfolios. This is achieved through regular engagement with company management, discussions with industry analysts and via quantitative and qualitative in-house research to understand a company's business fundamentals. The Adelphi investment team monitor the financial statements, regulatory announcements, reports and accounts, results meetings and capital market days of all portfolio companies. Additionally, continual monitoring of share prices, volatility and liquidity provide further analysis of our investee companies. We have a dedicated risk management team that actively monitors portfolio risk, whilst the Adelphi investment team formally meet weekly to review and where necessary re-appraise the positions in the portfolios. On a continual and ongoing basis the investment team monitor their respective portfolio companies and will keep the portfolio managers informed of key developments on a daily basis.

   (b) Monitors investee companies on social and environmental impact and corporate governance:

   In evaluating the sustainability of a company's business model and competitive advantage we will often consider its environmental footprint and social and human resource policies. Although we do not operate dedicated Environmental, Social and Governance ("ESG") investment strategies, we have always wanted our companies to act as good corporate citizens and good employers. Furthermore, consideration of these issues can represent an important part of the potential risk of any investment. These considerations have now been formalised into a Responsible Investment Policy, whereby we will routinely incorporate ESG factors into our company evaluation and portfolio decision-making. The principal aim of the policy is for us to ensure that we are responsible owners of our companies, holding management to account for their actions and behaviour across all aspects of the business but with specific consideration of their progress on ESG factors. We want our companies to take these issues seriously, to report clearly on them and to aspire to be best in class within their peer groups. Should an ESG issue arise within an investee company, we would address the topic with management and, where we are not satisfied with their disclosure or performance, we will engage with them and, if necessary, their boards to ensure that areas of underperformance are recognised and addressed. Our separate Responsible Investment Policy is available to investors upon request.

3. Conducts dialogues with investee companies:

The investment team maintains an active dialogue with the companies in which we invest through meetings, calls and visits with management teams. Adelphi will also engage with investee companies directly regarding significant strategic decisions or other management issues and, where appropriate, will offer our own opinions and comments. We believe that through explaining the rationale of our voting decisions we can more effectively engage and promote change within our portfolio companies.

4. Exercises voting rights and other rights attached to shares:

Adelphi aims to vote on all ballots at company meetings for which it holds voting rights and where permitted to do so by the underlying client. We outsource voting on our portfolio companies to Institutional Shareholder Services Inc. (“ISS”). The proxy advisory service provided by ISS provides independent analysis and recommendations regarding companies’ proxy proposals. Monitoring the recommendations and voting in line with our investment strategy and Proxy Voting Policy remains the responsibility of Adelphi. Generally, all proxies are evaluated and voted on a case-by-case basis. In all cases, we will take the appropriate action that we believe is in the best interests of our clients. Some of Adelphi’s clients may provide a bespoke policy or specific instructions in relation to how they want Adelphi to vote in respect of shares held on their behalf. Adelphi may actively engage with clients on voting rationale should we believe a different voting direction would be in their best interest. Adelphi retain records of each proxy received and executed. Adelphi has a separate Proxy Voting Policy which is available to investors upon request.

5. Cooperates with other shareholders:

We do not typically engage with other shareholders of investee companies. In the scenario that we felt it would be in the best interests of our clients to do so, we would first evaluate our ability to add value to a collaboration initiative. Where we believe we can add value and achieve a better overall outcome, we will consider collaborative engagement with other stakeholders / shareholders either directly or more typically through a third party platform such as the UK Investor Forum. As a standalone investment manager we seek to avoid conflicts of interest and to act in the best interests of our funds and underlying investors wherever possible. In fulfilling this strategy, we do not typically seek to act collectively with other asset managers as what may be preferable for their clients may not be in the best interests of ours. In line with our investment mandates, we do not seek to take an activist role in the management of our investee companies.

6. **Communicates with relevant stakeholders of the investee companies:**

   Adelphi have open communication channels with both management and IR teams of the companies in which we invest. If we become concerned about any aspect of an investee company's investment strategy, performance, governance or any other matter, we may wish to escalate this to the management of the company. Adelphi may hold meetings with companies to discuss any issues or concerns and in the best interest of our clients will communicate these opinions to the relevant stakeholders of an investee company.

7. **Manages actual and potential conflicts of interests in relation to the firm's engagement:**

   It is our policy and duty to act in the best interest of our clients. Where possible, we seek to organise our business activities to avoid conflicts of interest. For example, we do not have any financial affiliates (e.g. connected brokerage facilities), we do not have any direct investments (all our investing is conducted through the funds we manage), and we do not hold client money. Where conflicts are unavoidable, we develop both formal and informal procedures for their management. These include the maintenance of an inventory of all potential and actual conflicts of interest, the key risks and how we actively manage them. Such procedures are designed to ensure that the management of the conflict takes place in such a way that the firm or its employees are not advantaged, and that no client is disadvantaged. Adelphi has a separate Conflicts of Interest Policy which is available to investors upon request.

This Engagement Policy is reviewed and approved annually or more frequently as needed and is available on Adelphi's website.

Shareholder Rights Directive Annual Disclosure

Under COBS 2.2B of the FCA Handbook, Adelphi Capital LLP ("Adelphi") is required to publicly disclose how it has voted in the general meetings of companies in which it holds shares on behalf of its clients. In the calendar year ending 31st December 2020, Adelphi exercised votes on behalf of the clients in which it was authorised to vote in each of the 36 eligible shareholder meetings.

	Total	%
Votable meetings	36	
Meetings voted	36	100%
Votable proposals	551	
Proposals voted	551	100%

In accordance with the above SRDII Engagement Policy, Adelphi has cast votes at all company meetings and considered the best interest of its clients when reviewing each proposal of the companies in which it is invested. Adelphi engaged ISS Governance as a proxy advisor during the period and where permitted to do so by its clients, subscribed to the ISS Sustainability Policy. The Sustainability Policy developed by ISS is utilised as the framework which all proposals of our investment companies are reviewed against. This enables Adelphi to vote on the agenda items using internationally recognized sustainability-related initiatives such as the United Nations Principles for Responsible Investment (UNPRI) as its frame of reference. Adelphi voted on all proposals in manner it felt would maximise the value of the investments for its clients. During the period, Adelphi typically voted in line with management and ISS governance when the two recommendations aligned but would always review and vote independently on all agenda items. Adelphi did not support the recommendation of company management if the proposal was deemed to not be in the best interest of shareholders.

Examples of significant votes cast during the period:

Company Industry	Category	Vote Cast	Comments	Reason for vote significance
Internet Retail	Issuance of equity	For	In 2020 we voiced concerns to the management of one of our portfolio companies about an upcoming proposal to allow share issuance without pre-emption rights. We gave feedback to management that their proposal to allow such issuance of up to 20% of outstanding shares was at the upper limit of where we felt comfortable. The proposal was ultimately voted down. In 2021 we had a follow-up engagement with company management where they have revised their proposal to limit such issuance to up to 10% of outstanding shares. We felt this revision was acceptable and a clear demonstration of the effectiveness of our engagement with the company.	Significant size of shareholding.
Airline	Remuneration	For	For one of our portfolio companies in the Airline sector ISS, our outsourced voting provider, recommended a vote against approving the remuneration report and against the re-election of a member of the remuneration committee. Following a detailed review by our investment analysts we concluded that we actually agreed with the remuneration report and the proposed remuneration of the CEO. We felt that given the COVID-19 crisis, the CEO had performed well and their overall remuneration would still be below the prior year level. For this reason we chose to amend our voting direction to support the remuneration report and re-election of the remuneration committee member.	Vote in line with management, against ISS recommendation.

Health Care	Remuneration	Against	In 2020, for one of our portfolio companies in the Health Care sector, when reviewing the upcoming ballots of a shareholder meeting we noted that our outsourced proxy voting provider had recommended we vote against a proposed advisory note on the remuneration report. Following a detailed review by our investment analysts we concluded that we agreed with the ISS recommendation and we chose to vote against the advisory note on the remuneration report. We were concerned by the timing of the CEO remuneration disclosure, insufficient LTIP disclosure, lack of clawback provision and lack of information on prior year shareholder dissent. In our view, these were all valid concerns and supported our decision to vote against management.	Vote against management, in line with ISS recommendation.