Our engagement policy

June 2025

Introduction

Navera Investment Management is an independent investment business with a simple and transparent investment process. We offer clients the benefits of a long-term perspective and a culture of partnership.

Our stewardship activities are an integral part of our approach to investment, being one of our three foundational principles, and contribute to our ability to deliver real returns for our clients over the long term.

Our investment process focuses on identifying companies with durable business models and cash flow generation. As our sole aim is to deliver long-term returns ahead of inflation for our clients, we will only invest in companies that our internal research indicates have strong fundamental characteristics, including good corporate governance structures. As an active long-term shareholder, we aim to identify opportunities and build trusting relationships. We engage with companies in order to contribute to their long-term success and promote long-term value creation. Stewardship is therefore central to delivering good client outcomes.

Our stewardship activities include monitoring and engaging with companies on issues that are considered material to their long-term success. These include strategy, financial performance, capital allocation, business practices, social and environmental risk management and opportunities, remuneration and corporate governance. We also commit to voting at company general meetings.

More information on our engagement activities and voting record can be found in our most recent Stewardship Report.

Our voting and engagement activities work hand in hand to promote good stewardship of our clients' assets. We therefore recommend that our engagement policy be read alongside our voting policy.

Monitoring

Constant and effective monitoring of companies is an integral part of our investment process.

Our targeted approach means we typically hold the equity of between 25 and 40 companies, which we evaluate thoroughly prior to investing and continue to monitor on a regular basis once an investment has been made. We carry out in-depth research internally using external information from a wide range of sources including company information and dialogue, environmental, social and governance (ESG) research, and reports from ratings companies or organisations such as the CDP.

As part of our initial investment research and ongoing monitoring process, we consider the extent to which companies are:

1. Setting strategic objectives that build long-term, durable business models and prioritising the achievement of these strategic objectives over short-term performance
2. Managing risk effectively, as seen from the perspectives of multiple stakeholders
3. Implementing an appropriate capital structure through a process of sound capital allocation
4. Promoting good corporate governance, including strong corporate cultures and appropriate remuneration and incentives
5. Communicating transparently and producing high-quality disclosures and reporting.

Engagement

Form of engagement

We seek to engage with all our investment companies at least annually. Our engagements are undertaken in a spirit of partnership, whereby we work with companies to promote long-term value creation. We therefore aim to engage directly with company executives, specialised senior management and board members.

Our engagements take the form of meetings, both in person and virtual, and through written correspondence. We primarily write letters when we initiate a position, after a company's AGM, and when we exit a position. We commit to responding to companies when they write to us about an issue or request a meeting.

Introductory letter

When we initiate a position in a new company, we introduce ourselves in writing to the chair of the board and CEO, outlining our investment strategy and approach to stewardship.

This letter sets out what we expect of companies and what they should expect from us. We will also raise any initial queries on the governance of the company and/or any environmental or social issues that we would like to discuss in more detail.

Engagement for information

There are different types of engagement that we do with our companies. Often, and particularly while we are doing our initial detailed analysis on a company, we will 'Engage for Information'. This means that we are interested to learn more about a company's thoughts and processes around a particular issue rather than having a specific concern or addressable outcome.

We also have various companies where we will be continuously monitoring and discussing best practice and developments in a particular area. We call these 'Ongoing Engagements' and are likely to be issues where there is no pre-defined target or resolution, such as monitoring the supply chain for human rights issues and taking responsible action when such an issue is discovered.

Engagement for change

Where we identify an area that, if addressed by a company, could improve long-term real returns and enhance the strength of a business, we will engage for change.

We monitor the progress of our engagements for change by setting ourselves clear objectives at the outset and measuring progress against four milestones:

- Raising an issue with a company
- Receiving acknowledgement from the company that our concerns are valid
- Receiving confirmation from the company that it is developing a plan to address the issue
- Receiving evidence that the objective has been delivered.

However, should there be a fundamental change to our investment case for a company, or we identify a longer-term issue that is not being effectively addressed putting our clients' capital at risk, then we would sell the holding rather than initiating a potentially lengthy engagement. We are active investors, but not activist investors.

Engagement around AGMs and proxy voting

Voting is an important means of communicating with companies and we therefore exercise our right to vote. As with all our stewardship activities, we seek to promote the long-term success of the companies we invest in on behalf of our clients. Our approach to voting is set out in our voting policy.

Where necessary and possible, we engage with companies before voting to discuss any concerns and our voting intentions, understand their perspective and finalise our voting decision. When we do not vote in accordance with management recommendations, we write a letter to the chair of the board and CEO to outline our reasons. This is often an opportunity to request a meeting with company management to discuss our concerns further.

Responding to companies

We always respond when companies write to us or request a meeting. These requests have included discussion of issues ahead of an AGM and invitations to participate in double materiality studies. We view these communications as positive indicators of our constructive relationships with companies.

Escalation

Where we have concerns, or suggestions about how a company could move towards best practice, we aim to raise these in the introductory letter we send to companies when we become shareholders and through our regular meetings with company management and investor relations teams. However, we recognise that there may be instances where a company does not respond constructively and where we believe the company will not take action to address concerns. In such circumstances, and depending on the nature and the severity of the issue, we may decide to escalate our engagement activities.

As a first step, escalation would normally involve holding additional meetings with company management to clarify our position and improve our understanding of the company's view. Should this step not be successful, we will consider further escalation, including:

- Writing to or meeting with senior board members, such as the lead independent director or the chair
- Abstaining or voting against management, including the reappointment of specific directors, at general meetings
- Collaborating with other investors
- Selling our position if an issue jeopardises our clients' financial objectives and is not being adequately addressed by the company.

Exit notice

Where we sell our position in a company, including following unsuccessful engagement activity, we write to company management to explain our reasons for exiting.

Collaborative engagement

As shareholders in a focused list of companies, our in-depth research process and long-term approach mean we get to know our investee companies in great detail, something which we believe is vital for successful engagements. We are therefore confident that where we choose to pursue engagements with investee companies on our own, we can reach a successful outcome for our clients.

Where appropriate, we will engage with other investors. This may relate to systemic issues such as climate change or nature loss, or relate to asset classes such as fixed income, where we do not usually have a direct relationship with issuers.

We will also conduct collaborative engagement to influence both issuers and supervisory bodies, such as regulators or governments. This involves dialogue with public policy makers on the development of effective regulation, including responding to policy consultations, providing technical input via regulatory working groups and signing public statements from investor groups.

Engagement topics

ESG factors feature heavily in our engagement work. This is not because we believe ESG factors matter more than other issues, such as capital allocation or balance sheet strength. Rather, as the long-term financial risks posed by these factors become increasingly apparent, we believe this is where our companies can make some of the biggest improvements to ensure the long-term durability of their business models.

The following topics are an indication of how we aim to engage with companies to influence ongoing improvements and reflect some of our continuing priorities.

While these topics give an insight into our approach, they are not the only topics we engage on. Furthermore, we only engage on these topics where they are relevant or material to a company, or where strong policies and processes are lacking.

In many cases, we engage with companies purely for more information, or to understand their perspective, rather than having a specific goal or improvement in mind. Our engagement with companies often helps us define what should be considered best practice, or appreciate specific challenges faced by different industries.

1. Climate change/environmental issues

Climate is a systemic risk to the financial system and economies of the world, as well as introducing physical or transition risks at an individual company level. As an active investment manager, we recognise that we have a fundamental role to play in the journey to a low-carbon future and net zero by engaging with and seeking to influence our investee companies.

We strongly believe that all companies need to be aware of their physical and transition risks with regards to climate change. Collecting data and building robust policies and processes to reduce emissions, as well as disclosing this information, can offer financial advantages. We encourage companies to focus on potential financial benefits, such as lower costs and avoiding financial penalties that may arise from regulation or customer preferences for lower-carbon products, as well as financial loss from failing to adequately prepare for the physical risks of climate change.

We engage with companies on the following topics if they are relevant and material to their business.

Topic	Our expectation	Rationale
Disclosure	• We ask that all our companies disclose their GHG emissions across Scope 1, 2 and 3. • We encourage companies to also disclose via CDP.	This allows both the company, and us as shareholders, to monitor progress on GHG emissions and identify areas of concern.
Targets	• We ask that our companies set science-based GHG emissions reduction targets, preferably verified by a recognised external body.	This ensures the company has a credible plan to decarbonise and thereby reduce climate-related risks.
Environmental issues	• We expect companies to identify and assess material environmental impacts and dependencies (e.g. water, waste, nature, physical risks) in their own operations and in their supply chains. • Where material, we ask that companies provide disclosures and set targets to reduce impact.	Companies that understand and manage their environmental impacts and dependencies can reduce the overall risk to their businesses.

Topic	Our expectation	Rationale
Opportunities	• We ask that companies communicate their plans to benefit from new revenue opportunities. • We expect companies to identify where they could reduce costs through improved efficiency.	Management teams should fully assess the opportunities to their businesses, rather than solely the risks. These can represent new revenue drivers, or opportunities to reduce costs.
Supply chains	• Companies should engage with their supply chains for information about their carbon emissions, and monitor these over time. • Where possible, we ask that companies provide assistance to suppliers to help them build decarbonisation plans to reduce their emissions.	For many companies, the majority of their carbon emissions and climate-related risks stem from their supply chains. While these emissions are indirect, companies should use their influence (and in some cases expertise) to help their suppliers decarbonise.

2. People

Attracting, retaining and developing talent is vital for long-term success and a critical responsibility of senior management and the board. We therefore seek to understand the policies and procedures that are in place to ensure employee engagement, talent development, fair pay, diversity and inclusion, health, safety and welfare.

We engage with companies on the following topics where relevant and material to the business.

Topic	Our expectation	Rationale
Disclosure	• We ask that companies disclose their voluntary and involuntary attrition rates. • We ask for details of any training or upskilling programmes, along with information on how many employees have access. • We ask companies to disclose their policy on the living wage, across their operations and supply chains. • We expect companies to disclose the unadjusted and adjusted gender/racial pay gaps for their businesses. • We also request that companies disclose the percentage of gender/racial representation across different levels of seniority over time.	This allows shareholders to monitor key indicators that can show employee satisfaction and happiness. Employee retention is critical to the success of many businesses. We believe attracting and retaining talent from a range of backgrounds, with different skillsets and perspectives as relevant to the company's business model, improves judgement and decision making and avoids groupthink, supporting long-term business performance.
Policies and Targets	• We enquire about the policies and programmes in place to reduce voluntary attrition rates. • Similarly, we encourage companies to have policies and programmes in place to improve equity and inclusion, which includes training, mentorship and upskilling opportunities • We do not ask companies to have specific diversity targets.	Having programmes in place to improve these metrics can help improve employee retention and productivity. Targets on specific levels of employee diversity lack sector or regional nuance. We therefore look to see improvements in employee diversity, as a demonstration that there are opportunities for career progression open to all.

3. Human rights and supply chains

For many of our investee companies, the biggest environmental and social risks they face come not from their direct operations, but from their supply chains.

We acknowledge that managing these risks is not easy and that companies have to take a risk-based approach to overseeing their supply chains. However, we expect companies to have robust procedures for monitoring practices at all levels of their operations and formal processes in place to deal with any issues identified. We also expect companies to be abreast of and suitably prepared for incoming regulations on supply chain due diligence. We encourage companies to work with suppliers to resolve issues rather than simply ending contracts with them as soon as issues are identified. In instances where a supplier is not able to meet a company's requirements, we ask companies to enact a responsible exit.

Ensuring correct remediation is of critical importance to us. We believe that simply stopping using a supplier can critically impact the local community in terms of loss of jobs and well-being. Furthermore, divesture from a supplier does not ensure that the supplier will remediate such working conditions in future contracts with different companies.

We engage with companies on the following topics where relevant and material to the business.

Topic	Our expectation	Rationale
Disclosure	• We expect companies to have a comprehensive supplier code of conduct and detail the policies and processes in place to monitor this. • We ask that companies disclose the percentage of suppliers audited (including which tiers are covered). • We request companies disclose the results of audits, including any remediation processes.	This allows shareholders to assess whether the company has sufficient monitoring in place to understand their full supply chain risks.
Targets	• We encourage companies to increase the number of suppliers audited and extend this down the tiers (where appropriate and material).	This ensures that management increases their visibility of risks in their supply chain.
Audit expectations	• We expect companies to take a risk-based approach to supply chain audit. • We prefer that audits include announced and unannounced visits. • Audits should be direct or third-party as appropriate. • We ask that companies extend their supply chain audits beyond tier one, where feasible.	Having the right auditing processes in place ensures potential risks or breaches are not missed.

4. Corporate governance

Effective governance is a framework for better decision making. It should run through every level of organisations and results in greater business durability. Every company should be headed by an effective board, which is collectively responsible for the long-term success of the company. We look at a range of factors which include but are not limited to, how the purpose of the company is defined and communicated throughout the business, the Board structure and tenure of directors, Board diversity and the range of expertise on the Board, the committee structure, management compensation structures, talent management programmes, management's history of setting and meeting targets, capital allocation discipline, and auditor independence and challenge. We also consider the quality and nature of dialogue we have with management and the Board when assessing culture.

We encourage board diversity in all forms: gender, ethnicity, professional skills, experience and age, as relevant to the stakeholder base and business strategy of the individual company and assuming qualified candidates are available.

Topic	Our expectation	Rationale
Auditors	• Auditors should be re-appointed annually. The audit should be re-tendered on a periodic basis, ideally every 10 years, and audit firms changed every 20 years.	After an extended period, an audit firm may have a vested interest in maintaining their own reputation, which presents a conflict of interest in uncovering financial mis-statement.
Directors	• We follow the European position that directors can no longer be considered independent once they have been on a board for 12 years. • We are constructive on boards with an appropriate mix of tenured and recently appointed directors, so long the chair or the lead independent director (where applicable) are truly independent directors. Additionally, we strongly prefer that the chairs of sub-committees are independent. • We consider directors with positions on more than four public boards to be over-boarded, especially if this includes executive roles.	We appreciate the experience that long-tenured directors can add. However, long-tenured directors could lack the ability to approach board issues with an independent perspective, challenging past decisions or providing new insights. Therefore, a mix of tenures is preferred. Directors with many other significant commitments may have limited capacity to fully engage with their responsibilities to a business, particularly in the event of significant change or crisis.
Renumeration	• The majority of executive compensation should be performance-linked and paid out over several years. • We engage with companies on the targets they use and we also review peer-group comparisons.	We believe that management should be motivated over a long-term time horizon and that metrics and targets are adequately challenging and linked to a long-term strategy and goals.

Governance

Responsibility for setting and approving our engagement policy rests with our Stewardship Working Group, which is overseen by our Investment Governance Committee. Stewardship activities are carried out by our investment team and not a separate department. The primary analyst for each company is responsible for engagement, taking into consideration our policy and specific company circumstances, with support from members of the Stewardship Working Group and relevant members of the broader investment team.

Reporting and transparency

We provide our clients with an annual stewardship report, detailing our voting and engagement on their behalf. This report is publicly available on our website. Our report includes an overview of our voting record and, in line with the Shareholder Rights Directive II, detailed case studies of any significant votes. From 2024, we began reporting on ongoing engagements by engagement milestone.

Managing conflicts of interest

We seek to promote the long-term success of companies, including those with which we have a commercial relationship or where clients may have differing views on the outcome of a stewardship activity. In the event of a conflict over our approach to voting or engagement, the matter would be escalated to our Investment Governance Committee.

Our conflicts of interest summary is available on our website and provides more details of the steps we take to identify, consider, mitigate, manage, disclose and record all conflicts.

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