

# Octopus Quoted Smaller Companies Engagement Policy

**09/06/2023**

## Introduction

This statement provides Octopus's approach with regards to each requirement as set out under Article 3g of the European Shareholder Rights Directive II (SRD II) and COBS 2.2B of the FCA Handbook. The Shareholders Rights Directive II (SRD II) aims to promote effective stewardship and long-term investment decision making by enhancing the transparency of asset managers' investment strategies. The underlying holdings governed by this policy are managed by the following mandates: Octopus AIM VCT plc, Octopus AIM VCT 2 plc, FP Octopus UK Micro Cap Growth Fund, FP Octopus UK Multicap Income Fund, FP Octopus UK Future Generations Fund and Octopus AIM Inheritance Tax Service GIA and Octopus AIM Inheritance Tax Service ISA.

## Monitoring

Initial assessment of a new investment opportunity typically includes the market position, unique competitive advantages, strategy, financial ratio analysis, capital structure (including gearing) and corporate governance. Monitoring of companies is a key activity of the Quoted Smaller Companies Team. The team reviews daily publication of material news flow, trading statements, interim results, full year results, annual reports including corporate social responsibility reports where appropriate, sell-side coverage, movements in shareholdings, and director dealings. The team summarizes the weekly news flow and discusses action points. Management access is a key part of monitoring and companies are typically met at interim results and full year results. Additionally, the team conducts a weekly investment committee meeting to review all meetings, notable news flow and discussion points.

## Dialogue and Escalation

Management dialogue is key part of our approach and the team challenges company management on strategy, financial performance, data disclosures, capital structure and corporate governance. The team recognises that given the small size of investee companies, existing governance structures may not be mature and therefore the team seeks to form a view on whether material weaknesses exist, and on the willingness and ability of management to address these weaknesses within a reasonable timescale. The team takes part in consolidations on remuneration and challenges Non-Executive Directors to create appropriate alignment with company objectives. The team conducts meetings with non-executive chair or directors of appropriate, material holdings on an ad-hoc basis. As part of our escalation strategy we seek to influence through giving feedback to the corporate advisers, meetings with non-executive directors, voting against resolutions and ultimately divestment.

## Proxy Voting

All holdings are covered by Institutional Shareholder Services Incorporated, a leading global proxy advisory firm. The investment team considers the research and makes an independent decision, discusses controversial votes as team and looks to vote proxies on all quoted holdings unless there is a plan to divest in the near future. The team takes its fiduciary duty seriously and votes to create long term stakeholder value.

## Cooperation with other Shareholders

The team is limited by concert party rules however is open to cooperation with other shareholders. There is a precedent of cooperation with other shareholders, where material issues exist, and the team believes this to be in the best interests of investors.

## Communication with relevant Stakeholders

The team is in contact with issuer's corporate advisers, management, and non-executive advisers. Access to other stakeholders is limited. Where appropriate the team will source additional information from suppliers, customers, regulatory agencies, or employees through primary or secondary data sources.

## Conflicts of Interest

Octopus Investments has a company-wide policy on Conflicts of Interest. All employees are required to declare any conflicts of interest, including those which may arise because of engagement, and we have in place arrangements to prevent or manage any conflicts identified. A summary of our conflicts policy is available to all our clients on our website.

## Disclosure

This document will be reviewed and updated on at least an annual basis.