ProVen VCT plc ("PVN VCT") and Proven Growth and Income VCT plc ("PGI VCT" and together with PVN VCT, the "ProVen VCTs")

Combined AGM Questions and Answers

Question 1: Please explain the rationale for increasing director fees in the current uncertain economic climate.

The directors of the ProVen VCTs perform a key role in scrutinising the performance of the Manager and seeking to achieve returns for shareholders. They are experienced investors and entrepreneurs whose financial and operational expertise support the leadership and strategy of the ProVen VCTs.

The remuneration of directors is reviewed annually to ensure that it accurately reflects their commitment of time, the performance of the VCTs, and the economic climate. The directors have not received any fee increases, in line with inflation or otherwise, since 2017.

All directors that are receiving fee increases are independent non-executive directors and the time commitment for the role has increased in recent years, particularly in light of the COVID-19 pandemic. For example, at the start of the pandemic the Boards were meeting on a monthly basis which resulted in the directors attending almost double the amount of Board meetings in the financial year ending 28 February 2021 (9 meetings in total) compared to the previous years (5 meetings in FYE 2020 & 2021).

It was also noted by the Boards that the Chair of each Audit Committee should receive a higher fee to recognise the additional time commitment required for this role. This is in line with the approach taken by other VCTs.

The overall fees payable to directors are restricted to £150k pa. Any further changes would require shareholder approval.

The directors do not share in the performance of the fund as the Manager does. Malcolm Moss, who is not considered independent because of his connection to the Manager, will not receive a fee increase.

Question 2: Please explain how you value your portfolio companies.

As the Investee Companies are largely unquoted companies, there is no active market price and instead the valuation of each Investee Company needs to be assessed in accordance with the provision of FRS 102 and the International Private Equity and Venture Capital Valuation Guidelines issued in December 2018 ("IPEV Guidelines").

The IPEV Guidelines can be found here: http://www.privateequityvaluation.com/valuation-guidelines

Assessing enterprise value using market multiples:

The IPEV Guidelines set out several valuation techniques that may be used in valuing the Investee Companies, but the most appropriate for the unquoted companies in the ProVen portfolio is using comparable market multiples, as outlined under 'Market Approach' within the IPEV Guidelines.

This approach utilises market data to assess the valuation of Investee Companies, sourcing an appropriate 'multiple' to apply to relevant financial metrics of each Investee Company.

This process typically consists of:

- Deriving a multiple from comparable quoted companies (consider business, customer, stage, geography, etc)

- Assessing an enterprise value by applying these multiples to the financial metrics of the Investee Company (revenue multiples will be more appropriate for pre profit while an EBITDA multiple could be used when profits are sustainable) and then calculating the value of the shareholding of the ProVen VCTs
- Private transaction multiples from M&A or fundraisings may also be used where the multiples can be assessed based on the purchase price or enterprise value of similar companies.

Applying discounts:

In certain circumstances, the IPEV Guidelines recommend that comparable company multiples may need to be adjusted. The discounts used should take into account:

- Size and diversification of the business and, therefore, the ability to withstand adverse economic conditions
- Rate of growth of earnings
- Diversity of product ranges
- Diversification and quality of the customer base

As the ProVen VCTs invest in early-stage, unquoted companies, they occasionally need to adjust the comparable company multiples to reflect the risks outlined by the IPEV Guidelines above. In these instances, discounts are applied to the revenue and EBIDTA multiples to determine the fair value of the portfolio companies.

Question 3: Are there any particular sectors that you are looking to invest in?

The ProVen VCTs' Investment Policy covers investments in VCT-qualifying companies with certain characteristics. The Manager's investment team focus on these characteristics when evaluating any potential investment:

- A strong, balanced, and well-motivated management team with a proven track record of achievement
- A defensible market position
- Good growth potential
- An attractive entry price for the Companies
- A clearly identified route for a profitable realisation within a three to four year period.

The Manager's investment team also closely monitor emerging technologies and the investment opportunities they may present, as well as evaluating economic and social trends shaping the growth of companies within the ProVen VCTs' target market.

The backdrop of the pandemic has fuelled a substantial shift to business models underpinned by technology, as well as a consumer focus upon health and wellbeing. As a result, the Manager's investment team has monitored the growth of companies in sectors including e-commerce, software-as-a-service, artificial intelligence, data, and healthtech.

The Manager has also noted a growth in entrepreneurs with a focus upon tackling a social or environmental issue. In the past 18 months, new additions to the portfolio have included: Commonplace, a digital platform for community engagement used to give a voice to local citizens impacted by urban developments; Social Value Portal, a software tool used by public and private sector organisations to monitor social impact; and Utilis, a start-up that uses satellite data to spot leaks and damage to infrastructure that could lead to the loss of important resources such as water. Whilst investments in renewable energy infrastructure are not permitted under the VCT rules, the Manager does look at investments in other businesses addressing climate change, such as Chargemaster, a manufacturer of charging points for electric vehicles, which generated a significant profit for the VCTs on its sale to BP plc in July 2018.

Question 4: The Accounts show that the ProVen VCT's are currently holding a significant amount of cash, why is this?

It's important that the ProVen VCTs always have sufficient cash available to be able to support existing portfolio companies in further rounds of funding and to take advantage of new investment opportunities. There is no certainty about how much the ProVen VCTs will be able to raise in the future, so the Boards want to ensure that each time the companies raise funds it is sufficient to cover two years of forecast cash outflows.

While the Manager is currently seeing a very strong flow of investment opportunities, there is also a high level of competition for these deals. The Manager remains disciplined in its investment approach and despite the availability of cash it will not invest in companies at valuations which it believes will not allow the ProVen VCTs to make an appropriate return.

Question 5: Are there any plans to merge the ProVen VCTs?

The Boards of PVN VCT and PGI VCT have considered the question of whether to merge the two companies and have concluded that, at present, the benefits of keeping the two VCTs separate outweigh the benefits of merging them.

While there would be some reduction in the annual running costs if the companies were to merge, such as a smaller total audit fee, the initial cost of the merger in legal and other fees would be substantial. It would take several years of lower running costs to recoup this initial negative impact to the NAV per share of each VCT. For current shareholders to receive a net financial benefit from the merger, therefore, they would have to continue to hold their shares throughout this "payback" period.

The two ProVen VCTs do hold joint Board meetings, which allows the views of the directors of each VCT to be shared. It is important to note, however, that decisions relating to each VCT are taken only by the directors of the relevant company.

Question 6: What were the votes for, and against, each of the Resolutions at the 2020 AGM. In particular, what percentage voted in favour of the reappointment of Barry Dean who has been on the Board since 2006 which is considerably longer than applicable Corporate Governance guidelines recommend.

Please see the results of the 2020 AGM for each of the ProVen VCTs in the schedule set out at the end of this note. These results were released via RNS shortly after the AGM was held.

Barry Dean's reappointment was approved by 95.6% of those votes cast by proxy on the relevant resolution (Resolution 8) put forward at the 2020 AGM. As referred to on page 31 of the PVN Annual Report and Accounts *"Barry Dean has served on the Board for more than nine years and will offer himself for re-election at the forthcoming AGM in accordance with Company policy. The Board has reviewed the independence of Barry Dean and concluded that despite his long tenure, he continues to be independent. He is not involved in the day-to-day running of the Company and provides strong strategic insight to the Company as well as robust challenge to the Investment Manager."*

Question 7: Why do not all directors hold shares in the ProVen VCTs?

Whilst directors owning shares is encouraged, the Boards do not believe it should be compulsory, particularly as all the directors are non-executive. It is ultimately a personal decision for each director whether they invest in any fundraising, depending on their own financial circumstances at the time and should not be construed as an indicator of their confidence in the success of the funds. In addition, certain independent directors sit on the boards of other companies which have compliance regulations that prevent them from investing directly in the shares of public companies, including the VCTs.

Question 8: Please explain how the performance fee is calculated.

The formulae used to calculate the performance incentive fee arrangements, including the respective offer hurdles, is set out on page 21 (PGI) and page 22 (PVN) of the respective Annual Report and Accounts. A separate calculation is performed for each major fundraising and is also explained in each prospectus relating to any offer. Where a performance fee is due, the calculation is reviewed by BDO LLP, the ProVen VCTs external auditors, during the course of the annual audit.

Question 9: Why don't shareholders get a vote on performance fee arrangements?

Shareholders voted and approved the performance incentive fee arrangements in 2012 and those arrangement have not changed to an extent that further shareholder approval would usually be sought.

Question 10: What are "major shareholders" for the purpose of the Statement of Corporate Governance set out in the Annual Report and Accounts?

Whilst there is no formal definition of what constitutes a "major shareholder" for the purposes of the Corporate Governance codes, the Board values engagement with all its shareholders and welcomes any questions be submitted throughout the year. These will be carefully considered with the Manager and actioned appropriately, either in writing or, where considered appropriate, a meeting.

Question 11: Why have the auditors fees increased?

Unfortunately, we have seen a steady increase in auditor fees over the last few years. The auditors explained that this is due to the increasing volume of work which they are required to perform in accordance with auditing standards.

When originally faced with these fee increases, other VCT managers were consulted to ascertain whether they had been subject to similar fee increases. The relevant VCTs confirmed that they too had experienced significant audit fee increases over the last few years and that these were set to increase again for the upcoming financial year.

The ProVen VCTs went through an audit tender process in March 2021 in line with applicable regulations and best practice. One of the criteria used to assess firms' proposals was fees. All firms involved in the process quoted similar fees.

Question 12: Why have expenses increased?

The expenses referred to in the Annual Report and Accounts relate to third party costs associated with the general functioning of the VCTs. These include fees such as insurance, registrars, stock exchange fees, FCA fees, printing and postage, broker fees and other costs relating to subscriptions.

Fees have increased across the board with increases in stock exchange, printing and postage, and registrar fees, ranging from an 8% to a 35% increase when compared to the prior year. Most significant, however, was the increase in insurance fees. This was in part due to an increase in cover following some significant fundraising in recent years, but also due to market corrections and the general economic climate of the last 18 months.

As with the increase in audit fees, other VCT managers were consulted in order to benchmark these increases. The relevant VCTs confirmed once again that they too were experiencing similar rises and, in particular, a major increase in insurance premiums, which unfortunately appears to have continued into the financial year 2022.

Question 13: Please explain why investment in DeepCrawl was simultaneously increased and decreased.

The ProVen VCTs had the opportunity to invest \$3m in DeepCrawl in the most recent funding round, alongside \$12m from a new investor, Five Elms. We negotiated a structure in which the VCTs would invest \$4m in B shares, the same class which Five Elms was subscribing for, and sell \$1m of our existing A shares. The B shares have certain preferential rights compared to the other share classes. On a sale of the company, the B shareholders are entitled to receive the subscription price for the shares in priority to any distribution to other shareholders. In addition, the B shares are entitled to receive an 8% p.a. cumulative dividend.

So by increasing the amount we hold in B shares through this arrangement, we have improved the ProVen VCTs' position.

Question 14: The performance graph in the Annual Report and Accounts shows a significant shortfall between the Proven VCTs NAV Total Return and the Numis Smaller Companies Index. Is there any size of shortfall in performance that the Board would consider too great for a performance fee to be paid?

The graph comparing the ProVen VCTs performance to that of the Numis Smaller Companies Index is included to place the ProVen VCTs in a broader context. The Numis Index has been chosen because it is the most widely used UK smaller companies benchmark. Both the ProVen VCTs and the Index saw a drop in March 2021 followed by steady recovery before continuing to increase. The ProVen VCTs follow the same broad pattern to that of the Index. The differing trajectories, however, come from the fact that whilst each ProVen VCT is a smaller company, the index takes an average of the smallest 10% by value of the UK fully listed equity market and therefore includes a broad range of smaller companies, meaning that we are not necessarily comparing like with like.

There are significant restrictions on the companies which ProVen VCTs can invest in, relating principally to the age and size, which do not apply to the quoted companies included in the Numis Index. The quid pro quo for these restrictions is that investors in the ProVen VCTs are entitled to a range of attractive tax benefits, including 30% income tax relief on the amount invested and tax free dividends, neither of which are available to investors in smaller quoted companies.

In relation to the performance fee, the hurdles used to determine whether or not a performance fee is payable were approved by Shareholders in 2012 and are not linked to the Numis Smaller Companies Index. Should the performance of the ProVen VCT fall short of these hurdles, no performance fee would be payable. Furthermore, of all the performance hurdles, it is the hurdle which produces the smallest performance fee which is taken as the relevant hurdle in any given financial year.

Question 15: It appears that Natasha Christie-Miller has received the full £30,000 director's fee despite only attending 4 of the 13 Board and Committee meetings in the year. Why do the Board consider this appropriate?

Natasha Christie-Miller was absent for a period due to illness. She re-joined Board meetings once she had made a full recovery from the effects of COVID-19.

The Board normally meets on a quarterly basis. However, in light of the COVID-19 pandemic, the Board met much more frequently in order to keep the health and performance of the VCT's portfolio under constant review. In fact, between March and the summer months, the Board met every month. This gave rise to 9 full board meetings in the financial year to February 2021 compared with five the prior year (four quarters plus a meeting to approve the fundraise in January 2020).

The period in 2021 when the Board met more frequently happened to coincide with Natasha's period of illness and recovery. Whilst we do inevitably compare the attendance at four meetings to the 13 held in total, this was an exceptional year and the same comparison would not be made in another year.

Question 16: Note 18 to the financial statements of PVN VCT states "no performance fee of £132,000 is payable for the year ended 28 February 2021 as the performance hurdles have not been met." However, the Income statement does show a performance fee of £132,00 is payable. Which is correct?

This is a printing error and the negations should not appear in note 18. The note does go on to explain that an accrual has been made for the amount of £132,000 and the £132,000 appears as an expense in the income statement, and is also correctly referenced in a number of other places in the accounts. This error is not material for the purposes of the Financial Reporting Standards and we do not believe this printing error affects the use or interpretation of the information when the accounts are taken as a whole.

Question 17: The Investment Manager's review on page 7 of PGI VCTs Annual Report and Accounts states that the increase in valuation of six portfolio companies together totalled £16.8 million but it should total £18.6 million.

This is a transposition error. The total movement of the six companies listed is £18.6 million. This figure of £18.6 million is correctly referenced in the Chairman's Statement on page 4. This error is not material for the purposes of the Financial Reporting Standards and we do not believe this transposition error adversely affects the use or interpretation of the information, particularly given the level of detail provided regarding individual companies in the portfolio.

Schedule – AGM Results

ProVen VCT plc

At the Annual General Meeting ("AGM") of ProVen VCT plc, held on Monday 10 August 2020, all resolutions were passed as per the below.

	For – specific	For – discretion	For - total	Against	Total	Withheld
Res 1	6,672,915	304,695	6,977,610	78,647	7,056,257	-
	94.6%	**4.3%**	**98.9%**	**1.1%**	**100.0%**	
Res 2	5,972,721	325,911	6,298,632	486,710	6,785,342	270,915
	88.0%	**4.8%**	**92.8%**	**7.2%**	**100.0%**	
Res 3	6,730,278	237,868	6,968,146	82,413	7,050,559	5,698
	95.4%	**3.4%**	**98.8%**	**1.2%**	**100.0%**	
Res 4	6,418,733	304,695	6,723,428	271,241	6,994,669	61,588
	921.7%	**4.4%**	**96.1%**	**3.9%**	**100.0%**	
Res 5	6,491,948	308,339	6,800,287	208,743	7,009,030	47,227
	92.6%	**4.4%**	**97.0%**	**3.0%**	**100.0%**	
Res 6	6,441,845	308,339	6,750,184	269,140	7,019,234	36,933
	91.8%	**4.4%**	**96.2%**	**3.8%**	**100.0%**	
Res 7	6,483,028	308,339	6,791,367	227,957	7,019,234	36,933
	92.3%	**4.4%**	**96.7%**	**3.3%**	**100.0%**	
Res 8	6,358,285	332,457	6,690,742	304,797	6,995,539	60,718
	90.9%	**4.7%**	**95.6%**	**4.4%**	**100.0%**	
Res 9	6,574,679	274,617	6,849,296	147,462	6,996,758	59,499
	94.0%	**3.9%**	**97.9%**	**2.1%**	**100.0%**	
Res 10	5,905,025	274,617	6,179,642	764,063	6,943,705	112,552
	85.0%	**4.0%**	**89.0%**	**11.0%**	**100.0%**	

Res 11	6,485,770	274,617	6,760,387	149,648	6,910,035	146,222
	93.8%	**4.0%**	**97.8%**	**2.2%**	**100.0%**	
Res 12	6,183,036	294,327	6,477,363	202,689	6,680,052	376,205
	92.6%	**4.4%**	**97.0%**	**3.0%**	**100.0%**	

Schedule – AGM Results

ProVen Growth & Income VCT plc

At the Annual General Meeting ("AGM") of ProVen Growth and Income VCT plc, held on Monday 10 August 2020, all resolutions were passed as per the below.

	For - specific	For - discretion	For - total	Against	Total	Withheld
Res 1	7,953,579	421,881	8,375,460	26,711	8,402,171	10,416
	94.7%	**5.0%**	**99.7%**	**0.3%**	**100.0%**	
Res 2	7,146,296	474,936	7,621,232	497,378	8,118,610	293,977
	88.0%	**5.9%**	**93.9%**	**6.1%**	**100.0%**	
Res 3	7,996,201	362,372	8,358,573	17,479	8,376,052	36,535
	95.5%	**4.3%**	**99.8%**	**0.2%**	**100.0%**	
Res 4	7,663,790	417,702	8,081,492	251,064	8,332,556	80,031
	92.0%	**5.0%**	**97.0%**	**3.0%**	**100.0%**	
Res 5	7,684,105	417,702	8,101,807	251,014	8,352,821	59,766
	92.0%	**5.0%**	**97.0%**	**3.0%**	**100.0%**	
Res 6	7,729,994	423,688	8,153,682	201,633	8,355,315	57,272
	92.5%	**5.1%**	**97.6%**	**2.4%**	**100.0%**	
Res 7	7,738,533	423,688	8,162,221	193,094	8,355,315	57,272
	92.6%	**5.1%**	**97.7%**	**2.3%**	**100.0%**	
Res 8	7,548,167	446,705	7,994,872	317,064	8,311,936	100,651
	90.8%	**5.4%**	**96.2%**	**3.8%**	**100.0%**	
Res 9	7,719,798	425,630	8,145,428	177,485	8,322,913	89,674
	92.8%	**5.1%**	**97.9%**	**2.1%**	**100.0%**	
Res 10	7,210,990	433,085	7,644,075	581,082	8,225,157	187,430
	87.7%	**5.3%**	**93.0%**	**7.0%**	**100.0%**	
Res 11	7,831,892	419,644	8,251,536	105,852	8,357,388	55,199
	93.7%	**5.0%**	**98.7%**	**1.3%**	**100.0%**	
Res 12	7,307,264	567,524	7,874,788	188,711	8,063,499	349,088
	90.6%	**7.1%**	**97.7%**	**2.3%**	**100.0%**	