

# Stewardship and responsible investment policy

## 1. Introduction, purpose and scope

### 1.1 Introduction

We seek to protect our clients' investments from risks and to capitalise on opportunities to increase their wealth. These risks and opportunities include Environmental, Social and Governance (ESG) related issues, which can arise from how entities in our investment universe interact with their stakeholders, and the societies and environments in which they operate.

### 1.2 Purpose

The Stewardship and Responsible Investment Policy ("the Policy") sets out how we will fulfil the stewardship and responsible investment duties we have to our clients. Our responsible investment philosophy is rooted in our fiduciary objective to help our clients meet their financial goals by being an active and effective steward of their capital.

### 1.3 Scope

Our Investment Management business is constituted of two core units: one offering fund solutions, and the other offering customised account ('portfolios') investment solutions where clients may request that we reflect their values. As active investors, we endeavour to understand the opportunities and risks for all our investments across all asset classes, and geographies. The Policy sets out our approach to Stewardship and Responsible Investment on a firm-wide level.

### 1.4 Document ownership and maintenance

The Responsible Investment team oversees the implementation of the Policy alongside enhancements to our responsible investment approach over time.

The ESG Investment Committee informs the firm's approach under the Policy and ESG considerations of the firm's investment process. It consists of the Responsible Investment team, investment managers representing all products and services, and research analysts, and is chaired by the Head of Responsible Investment.

The Policy and associated activities are reviewed by Close Brothers Asset Management's (CBAM) Investment Review Committee which is chaired by the Chief Investment Officer (CIO). The Policy is reviewed at least annually and updated as necessary.

We view the integration of ESG factors within the investment process to be an evolving, iterative process that we, alongside the wider industry, intend to refine and develop as our understanding of ESG considerations and their impacts on the value of investments grows.

Where or when any such material evolution in our understanding occurs, we intend to develop our Policy accordingly.

The CIO is responsible for the governance framework for all investment solutions and the implementation of the Policy's commitments. The CIO is also responsible for upholding the standards set within the Policy, including the integration of ESG considerations within the firm's investment process, proxy voting, and our engagement activities with investee issuers.

## 2. Definitions

### 2.1 Stewardship

We define stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. This is aligned to the UK Stewardship Code, 2020.

### 2.2 Responsible investment

We define responsible investment as an approach to managing assets which explicitly considers and integrates the impact of material ESG factors on the long-term financial risk and return of investments. These considerations are also used to inform a diligent active ownership and stewardship approach.

## 3. Responsible investment approach

Reviewing ESG factors can provide an additional information set, and more holistic perspective, from which the credibility of an investment case can be judged. Being an active investor allows us to make judgements on the financial materiality of idiosyncratic and systemic ESG risks and opportunities for our investments.

We consider ESG issues through bottom-up fundamental and top-down thematic research. From a bottom-up fundamental perspective, we are aiming to integrate ESG considerations across direct equity, direct fixed interest, diversifiers and active third-party fund managers. For each of these investment types we have developed either ESG frameworks or questionnaires to guide the understanding of ESG issues relevant to our investments. More details of our progress on ESG integration across investment types can be found in our annual Stewardship and Responsible Investment Report on [our website](#).

Our bottom-up fundamental research is complemented by our top-down thematic research, which is based on our approach to a 'Just Transition': the simultaneous shift to an economy that is lower carbon, more sustainable and preserves, if not improves, biodiversity and our current climate, while protecting workers' rights, and improving livelihoods and economic fairness.

Our analysis of ESG issues benefits from our long-term prudent investment approach given these issues often materialise over a multi-year period. Being cognisant of ESG risks and opportunities over an extended period helps to fulfil our stewardship responsibilities and align our investments with our clients' long-term financial goals. Any bottom-up analysis is performed by the analyst covering a particular investment or sector for which they are producing investment research. We believe this is best practice because the analysts have a deep understanding of their coverage and it allows ESG information to be considered in conjunction with financial information.

The Responsible Investment team guides our analysts in the integration of ESG factors in their bottom-up research process and provides our Investment team with thematic research on a 'Just Transition' and key ESG issues. The extent of ESG analysis can vary across different teams and investment types.

#### **4. Monitoring investee issuers**

Our Investment team, including our in-house Research team, investment managers and fund managers, are responsible for monitoring investee issuers. This occurs through conducting ongoing research, visiting companies' facilities, meeting management, attending industry conferences, alongside using an expert network of specialists to gain additional insight.

We conduct periodic research driven by news flow, issuers results and performance indicators. Formal communication from our investees, including results and press releases, is monitored on a daily basis by our Investment team. We also subscribe to third-party research providers in order to supplement our underlying coverage of investees, which includes ESG research providers, expert networks and broker research.

Our core holdings are reviewed and discussed by our investment team on a regular basis. As well as understanding the fundamental drivers and valuation of each issuer we invest in, we also review ESG issues and, for our core holdings, we monitor the resolutions put forward at company annual general meetings (AGM) and extraordinary general meetings (EGM).

#### **5. Engagement**

We aim to reinforce the focus on ESG issues through engagement. Engagement is the intentional dialogue by investors, typically, with the management or Board of an issuer, with the purpose of influencing the corporate's behaviour. We integrate engagement in our investment strategy as a tool to influence corporate behaviour, mitigate against potential investment risks, promote sustainability, and aid our voting practices. We engage on a broad range of topics including strategy, performance, corporate governance, social, environmental and cultural issues.

The three key pillars of our engagement system are 1) thematic engagements, 2) ad-hoc engagements, and 3) voting.

Thematic engagements are long-term strategic engagements aligned with our sustainability research theme of a 'Just Transition'. The Responsible Investment team leads the engagement activities in this category, as they produce research to support our focus on a 'Just Transition'.

Ad-hoc engagements are usually driven by events or specific objectives representing our clients' interests on performance and questioning management on material issues.

These objectives are typically identified as part of our bottom-up analysis or on-going monitoring of our investments, and are set and led by either the research analysts responsible for coverage or investment and fund managers where they have relevant interests, both of whom can be supported by the Responsible Investment team as required and appropriate.

Our voting activities are carried out by our Voting Panel, which consists of investment managers, fund managers and analysts responsible for voting on a subset of holdings where they have expertise.

Our methods of engagement include meeting with management and/or investor relations teams; formal and informal correspondence and calls with issuers; meeting with the Chair or Board; proxy voting at AGMs and EGMs; writing open letters to the issuer; co-signing letters with other investors or taking part in collaborative initiatives for engagement.

Engaging with issuers is important to our investment process as active managers. Not only does it increase common understanding between us and our issuers, but it also allows us to use our expertise and knowledge to put our clients' interests at the forefront of our actions.

We make efforts to engage across all asset classes where necessary, but given the resource intensive nature of engagement we mostly focus our attention on public companies, in which we hold shares with voting rights, within our core holdings, across our managed portfolios and funds.

### 5.1 Voting

We closely monitor forthcoming voting resolutions of the core holdings we invest in and vote via proxy or by attending general meetings. We focus our voting predominantly on core holdings within our managed portfolios and funds.

We have developed voting principles which reflect our convictions on best practice corporate governance based on our expertise and experience. We also subscribe to ISS voting research, which has been customised to reflect our voting principles alongside ISS's benchmark research of best practice corporate governance. The analysts and investment managers on our Voting Panel determine the best way to vote that reflects shareholders' greatest interests.

Where a client wants to vote a certain way on their execution-only holdings, they can do so by direct instruction. Their shareholding is then separated from the rest of our holdings, and their voting instruction is carried out on their shares. Clients are also able to request records of their voting.

For client portfolios, apart from our fund solutions, we typically do not vote on companies based in certain countries that require a signed power of attorney from the beneficiaries prior to participating in the vote. This is a small subset of countries and the full list of excluded countries can be provided upon request.

### 5.2 Escalation

We will escalate our engagements where an issue presents a material risk to our clients' investments and where initial meetings with the investee issuer have not yielded a satisfactory response. The issues for which our engagement can be escalated are not limited to those captured within ESG factors and also include, amongst others: performance, key person concerns, and market or systematic risks. Escalation approaches can include:

- Meeting with investor relations, management and/or the Board;
- Writing a formal letter to management, the Board and/or the Chair;
- Writing an open letter that is viewable by the public;
- Voting against management;
- Putting forward or supporting a shareholder resolution;
- Taking part in collaborative action with other investors;
- Conducting or supporting legal action; and/or,
- Reducing our holding or divesting entirely.

### 5.3 Collaboration

At times our engagement interests will align with other shareholders. When it is appropriate to do so, we will engage with other shareholders on a collaborative basis, provided taking collaborative action is in the best interests of our clients. We will not engage in any collusive or concert behaviour and will adhere to our [Conflicts of Interest Policy](#) and guidance on Competition Law at all times.

We are signatories to the Principles for Responsible Investment (PRI) and members of both the Personal Investment Management & Financial Advice Association (PIMFA) and Investment Association (IA). We are signatories to the 2020 UK Stewardship Code.

## 6. Human rights

We recognise that human rights issues can present material risks for our investments. Human rights issues are prevalent around the world but can be hard to identify due to a lack of transparency and global reporting standards.

We are committed to using engagement and research to reduce our investment exposure to material human rights issues. Central to our 'Just Transition' engagement and research focus is the protection of jobs, livelihoods and ultimately human rights as we progress to a lower carbon economy.

We invest in a wide range of industries with global supply chains. We endeavour to understand the material human rights issues related to our investments and consider them as part of the investment case. We aim to continuously improve our due diligence process to correctly identify potential negative human rights outcomes. To support our focus, we are endorsers of the [PRI Advance initiative](#), which targets improvement in corporate behaviour towards human rights policy commitments and due diligence processes.

## 7. Climate change

We recognise that climate change can create material risks for our investments, and that the investment industry has a role to play in the transition to a lower carbon economy. We aim to address climate change considerations, as they pertain to our investments, as part of our ESG research.

We have aligned operational net-zero targets with Close Brothers Group and we are a signatory to the Net-Zero Asset Managers (NZAM) Initiative, which commits us to reaching net-zero emissions by 2050 across all assets under management. Our initial NZAM target disclosure, submitted in November 2023, can be found [here](#).

## 8. Legal and regulatory factors

We are committed to being transparent on and responsible for how we engage with companies, including on how we vote. The Policy is guided by the twelve 'apply and explain' principles set out by the Financial Reporting Council (FRC) in the second version of the UK Stewardship Code (the Code).

We have been a signatory to the Code since 2022. The Code aims to promote transparency and integrity in business, encouraging active and engaged monitoring of corporate governance in the interests of shareholders.

As responsible investors and signatories to the Code, we are committed to upholding the Code's standards in the best interest of our clients.

In addition, the Shareholders Rights Directive II (SRD II) rules came into effect 10 June 2019. SRD II aims to promote effective stewardship and long-term investment decision making. As an asset manager, we must report annually on our shareholder engagement and investment strategy, alongside our voting behaviour and the use of proxy advisor services.

## 9. Reporting

### 9.1 Principles for Responsible Investment

As a signatory of the United Nations-supported Principles for Responsible Investment (PRI), we are committed to improving the way we measure, report and manage ESG issues throughout our investment activities. Our PRI Public Transparency Report is publicly available through PRI's data portal.

### 9.2 UK Stewardship Code

We have been a signatory to the UK Stewardship Code (the Code) since 2022. We report on our responsible investment activities, together with the implementation of the Policy, annually in our Stewardship and Responsible Investment Report, in alignment with the twelve 'apply and explain' principles set out by the FRC in the Code, and SRD II rules. This report is available on our [website](#).

### 9.3 Voting

We report on our voting activities on an annual basis, both in our Voting Reports and in our yearly Stewardship and Responsible Investment Reports which can be found on our [website](#). We produce client voting reports upon request.

## 10. Conflicts of interest

As a regulated business, we are required to take all appropriate steps to identify and to prevent or manage conflicts of interest, ie conflicting interests which may arise in the course of providing services to clients. Our Compliance department maintains a conflicts of interest register which is reviewed by senior management at the Risk & Compliance Committee (RCC). The RCC reviews the register at least annually, or upon any material change. Periodic monitoring of the disclosed conflicts is also undertaken. Where we do identify a conflict of interest, we will always aim to act in accordance with the best interests of clients in accordance with our obligation to treat customers fairly.

We have a [Conflicts of Interest Policy](#) that is publicly available on our [website](#). This summarises the main conflicts in our business and how we mitigate them.