

# STONEHAGE FLEMING INVESTMENT MANAGEMENT LIMITED

## Shareholder Engagement Policy

July 2020



STONEHAGE  
FLEMING

THE INTERNATIONAL FAMILY OFFICE

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## 1. INTRODUCTION AND SCOPE

Stonehage Fleming Investment Management (“SFIM” “WE”) strives to deliver long-term sustainable performance for our clients and we are committed to transparent stewardship activities.

The Shareholder Rights Directive (“SRD”) applies to Institutional Investors, such as SFIM, that hold on a discretionary basis for our clients the shares of companies traded on a regulated market. It requires SFIM to develop and publicly disclose an engagement policy that describes how we integrate shareholder engagement into our investment strategy. This policy sets out how we meet this requirement.

We will disclose annually via our website how we have implemented our policy. This will include a general description of voting behaviour (how we have cast votes), an explanation of the most significant votes and reporting on the use of the services of proxy advisors.

Whilst the SRD establishes a regulatory baseline for stewardship, the voluntary UK Stewardship Code (“the Code”) is the benchmark in the UK for institutional investors to meet ownership responsibilities and builds on requirements of the SRD. It sets out a number of principles and areas of good practice to which institutional investors should aspire and operate. SFIM is supportive of the Code and you can see a copy on our website<sup>1</sup>. The Code was recently revised to focus on the activities and outcomes of stewardship, not just policy statements. SFIM is reviewing its Code disclosure statement and will be publishing an updated version in line with the revised code.

## 2. INTEGRATION OF SHAREHOLDER ENGAGEMENT

SFIM undertakes Stewardship activities such as monitoring and engaging with the companies we invest in or may potentially invest in. Activities include meetings and phone calls with management as well as proxy voting at AGMs and other corporate events. This engagement is an integrated part of our investment process.

SFIMs philosophy is ‘buy to hold’ high quality businesses. In other words, we have a long time horizon for each of our investments and a deep understanding of the businesses that we invest in. This requires a detailed analysis of the reported financials, a broad perspective on the market landscape in which the companies operate, and an appreciation for their competitive and strategic edges and thus their ability to grow sustainably over the long term. Management’s ability to derive a strategy to steer the company through that landscape, whilst reinvesting for sustainable growth and generating excess returns is key to SFIM’s view on the company’s future. As such, an understanding of the business culture and management’s history and approach are a necessary part of the investment process and this may include contact and engagement with management to form a view of this (and keep that view current).

We are a focussed and relatively small asset manager, and our access to top executives may at times be limited. We seek to engage with top management whenever possible through one-on-one or group meetings. Where this is not possible, we may engage with other company representatives, less senior management or investor relations (IR). We note that IR teams have a particular duty to communicate to shareholders in a fair and responsible manner.

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<sup>1</sup>[https://www.stonehagefleming.com/downloads/legal/SFIM\\_STATEMENT\\_ON\\_THE\\_UK\\_STEWARDSHIP\\_CODE - NOVEMBER 2015.pdf](https://www.stonehagefleming.com/downloads/legal/SFIM_STATEMENT_ON_THE_UK_STEWARDSHIP_CODE_-_NOVEMBER_2015.pdf)



We seek to understand our investee companies at the outset before making an investment and throughout the holding period. As such, the initial engagement activities form the basis for ongoing contact and engagement throughout the holding period and beyond.

We seek to protect the long-term sustainable performance and value of our investments and may openly engage with management on any issues we believe stand in the way of this, or indeed could enhance this.

We manage a long only mandate and we are not activist investors. Ultimately, therefore, if we do not see an investee company enacting an appropriate strategy and we believe this to be to the detriment of the long-term value of the holding, we will divest in a responsible manner.

### 3. MONITORING OF CONDUCT

Regular and proactive monitoring of investee companies, which may include regular dialogue with management, allows us to form a view as to whether the Board is fulfilling its mandate to shareholders, and ultimately whether the company remains an appropriate investment within our strategy.

Monitoring activities may include (but are not limited to):

- Monitoring daily news and updates on the companies
- Monitoring quarterly and annual financial releases and results
- Meeting / phone calls with management and/or company directors
  - Engagement will typically focus on strategy and performance as well as non-financial metrics such as ESG, board structure and succession planning and company culture.
- Reviewing external research material (broker & independent research reports)
- Attending company capital markets days and site visits.
- Maintaining a record of all interactions with companies.

Company Boards must satisfy customers, shareholders and the reasonable expectations of employees as well as acting responsibly towards society as a whole in order to sustain long-term success. Our monitoring activities seek to ensure the investee companies are acting in this way.

### 4. DIALOGUE WITH INVESTEE COMPANIES AND OTHER STAKEHOLDERS

SFIM seeks dialogue with investee companies. We look to engage on any issue which we see as having the potential to affect the company's ability to deliver long term value to shareholders.

This includes but is not limited to:

- Business strategy
- Financial strategy
- Business Culture
- Financial performance
- Capital allocation
- Governance
- Risk management
- Management, leadership and employees
- M&A strategy and activities
- Sustainability and ESG



- Remuneration policy and outcomes

Methods of engagement may include meetings or conversations with management or directors; letters or emails to management or directors; site visits to companies; or attendance at company hosted meetings.

SFIM will seek to engage in a confidential and trusted manner.

We will seek to escalate our involvement with investee companies where we believe the rights of shareholders are compromised or damaged. We manage this on a case-by-case basis through IR.

We also engage with other stakeholders including trade bodies and policy makers such as the FCA, the Investment Association, and PRI<sup>2</sup> etc. We may engage for a number of reasons including to increase our understanding of the legislative landscape.

## 5. EXERCISE OF VOTING RIGHTS AND OTHER RIGHTS

An active and informed voting policy forms an integral part of our investment process. By voting we seek to support the business sustainability and enhance the value of our shareholdings and protect our interests as shareholders on behalf of our clients.

We seek to vote on all resolutions at company AGMs held in our flagship Global Best Ideas Equity fund and across our discretionary portfolios. Typically, we will vote by proxy at these meetings.

When deciding how to vote we will consider our voting policy and the companies management's views, rationales and proposals. We will also consult third party information sources including the services of proxy advisors, such as Glass Lewis. We will consider all information in order to draw our own conclusions on each vote and will not default to follow either management or advisor views.

We will vote against proposals that compromise our clients' interests. We may not vote where we are not able to make an informed decision due to poor disclosure, or where we receive an unsatisfactory response from management.

The cost of information for these votes, including the use of proxy advisors, is paid for by SFIM. The cost of executing votes is born by the client as part of their custody fee.

We will disclose, on an annual basis, how we have voted over a calendar year on our website from the end of 2020. This will include:

- a description of voting behaviour
- an explanation of the most significant votes
- the use of the services of proxy advisors, and
- a description of how we have cast votes in the general meetings of companies

The practicalities of casting votes for Swiss companies discourage active voting. Due to the peculiarities of Swiss custody, the shares in question effectively undergo a temporary block on trading during the voting period. We believe all our holdings should be liquid all the time. For this reason we do not participate in these cases.

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<sup>2</sup> Principles for Responsible Investment is an international network of investors, which is supported by the United Nations.



## 6. SHAREHOLDER COOPERATION

We are willing to act collectively if it is in the best interests of our clients. When deciding whether to act collectively with other shareholders, we will consider:

- The extent to which the information is confidential
- Whether collective engagement is more effective than unilateral engagement, and
- Whether our objectives are aligned with other investors

## 7. CONFLICTS OF INTEREST

A conflict occurs when the interests of a client are at odds with the interests of the firm, an employee, or another client. We have a comprehensive Conflicts of Interest Policy that applies to all of our activities. This is central to our duty of care.

We may encounter conflicts of interest related to our stewardship activities. Employees must manage such conflicts in line with our Conflicts of Interest Policy. We must manage any conflicts in the best interests of our clients.

Potential material conflicts of interest include:

- SFIM provides services to a company that we are invested in on behalf of our clients
- The proponent of a shareholder proposal is a SFIM client
- A SFIM employee has a material relationship with a company that we are invested in on behalf of our clients
- An employee of SFIM sits on a company's Board of directors a company that we are invested in on behalf of our clients

When such a conflict of interest arises SFIM shall, in order to remain impartial in the exercising of proxy voting rights, abstain or vote based on the majority recommendation made by a proxy advisor, such as Glass Lewis.



### Sources

Source	Link
SRD	<a href="https://www.handbook.fca.org.uk/handbook/COBS/2/2B.html">https://www.handbook.fca.org.uk/handbook/COBS/2/2B.html</a>
Stewardship Code	<a href="https://www.frc.org.uk/investors/uk-stewardship-code">https://www.frc.org.uk/investors/uk-stewardship-code</a> <a href="https://www.handbook.fca.org.uk/handbook/COBS/2/2.html">https://www.handbook.fca.org.uk/handbook/COBS/2/2.html</a>

### Version Control

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Date of review	Sections changed	Brief summary of changes	Person that made changes



