

# STONEHAGE FLEMING INVESTMENT MANAGEMENT (SFIM) VOTING AND ENGAGEMENT POLICY

Date: October 2022



NOW AND FOR FUTURE GENERATIONS

## 1. INTRODUCTION

Stonehage Fleming Investment Management (“SFIM” “WE”) strives to deliver long-term sustainable performance for our clients and we are committed to transparent stewardship activities, including proxy voting on corporate actions and engagement with investee companies. As a fiduciary, SFIM owes each of its clients a duty of care and loyalty and takes all reasonable steps to act in the best interest of its clients.

Whilst the UK Shareholder Rights Directive (“SRD”) and US Investment Advisors Act 1940 establishes a regulatory baseline for stewardship activities undertaken by SFIM, the voluntary UK Stewardship Code (“the Code”) is the benchmark in the UK for institutional investors to meet ownership responsibilities and builds on the requirements of these regulations. 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. SCOPE

This Policy applies to the shares of companies (securities) traded on a regulated market managed by SFIM on a discretionary basis.

For clients that hold a discretionary segregated equity mandate, we will agree with the client whether we will cast votes on their behalf under this policy, as custodians will usually charge clients to process such votes. SFIM does not reach out to clients and ask them how to vote.

SFIM does not have proxy authority for non-discretionary accounts (i.e. advisory accounts). Non-discretionary clients should receive proxy solicitations from their custodian or transfer agent. In such situations, SFIM will not provide any advice on proxy voting or place a vote for the client.

## 3. INTERGRATION OF SHAREHOLDER ENGAGEMENT

SFIM’s overriding investment philosophy is long-only, long-term “buy-to-hold” investments in high-quality companies, identified and monitored via fundamental, bottom up research and analysis. We typically adopt a company-owner mind-set, which requires detailed knowledge and understanding of those companies that we own/monitor. Our ultimate objective is to identify and own companies that possess a strategic competitive edge that supports long-term, sustainable growth and thus positive shareholder returns for a relatively low level of equity market risk.

This approach requires up-front and ongoing assessment of a company’s Board and Executive Management Team and (among other things) its governance, strategy, execution, risk management, and incentives. As such we may engage directly with a company as an element of our overall research process when it is deemed necessary and in our clients’ best interests.

We are a focused and relatively small asset manager, and we recognise that our access to top executives and Board members may be limited. When we deem it necessary and in the best interests of our clients we will actively seek engagement via one-on-one or group meetings. Where access to Board Members/Management is not made available to us, we will engage with a company’s Investor

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<sup>1</sup> [https://cdn.io.stonehagefleming.com/craft-cms/legal/SFIM\\_STATEMENT\\_ON\\_THE\\_UK\\_STEWARDSHIP\\_CODE\\_-\\_NOVEMBER\\_2015.pdf](https://cdn.io.stonehagefleming.com/craft-cms/legal/SFIM_STATEMENT_ON_THE_UK_STEWARDSHIP_CODE_-_NOVEMBER_2015.pdf)



Relations (IR) department and note that our request for more senior access was denied/not available. We note that IR departments are obliged to communicate to shareholders for information purposes in a fair and reasonable manner.

We seek to understand our investee companies at the outset before making an investment and throughout the subsequent holding period, and potentially thereafter. As such, initial engagement activities may 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 may stand in the way of this, or indeed could enhance this.

We manage long only mandates and we are not activist investors. If an investee company is not enacting an appropriate strategy and we believe this to be to the detriment of the long-term value of the holding, our ultimate course of action therefore will be to divest the holding in a responsible manner.

#### 4. MONITORING AND 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 company management, Directors and/or IR. Engagement may typically focus on strategy and performance as well as non-financial metrics such as Environmental, social and Governance (ESG), Board structure, 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 and research process seek to ensure the investee companies are acting in this way.

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

SFIM may engage with investee companies on any issue where we deem that doing so would be beneficial to our clients' interests. We do not engage simply for the sake of it nor to further our own personal agenda.

Topics that we might engage on include, but are 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

When SFIM engages with a company in the majority of instances it will be solely to seek information that will aid the investment process and be of benefit to our clients/investors. It is unlikely that we will engage with the active intention seeking to overtly influence management and/or change a company's strategy, however, we recognise there may be occasions when we will, and/or we do not wish to rule out our potential to do so, regardless of the likelihood. Should we wish to be agents for change in a company, it will be done so in confidence, in line with our long-term buy-to-hold philosophy and governance best practice.

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. Whilst unlikely, we may seek to escalate our involvement with a company where we believe the rights of our clients/investors are being compromised or damaged. Whilst unlikely, we may also collaborate and engage with other investors to increase the weight behind our view and always in the best interest of our clients/investors.

We will treat all engagement with companies with full confidentiality and we will not discuss our engagement with them in any public forum. We will also require any parties we collaborate with to likewise do so with full confidentiality.

## 6. 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.

When deciding how to vote we will consider our fund level voting guidelines/policies alongside the views and recommendations of the company's management. We will also consult third party information sources including the services of proxy advisors, such as Glass Lewis or ISS. We will consider all necessary information in order to draw our own conclusions on each vote and will not simply default to follow either management or advisor views.

We will vote against proposals that compromise our clients' best interests. We may abstain where we are not able to make an informed decision due to poor disclosure.

For the funds we manage the cost of information for these votes, including the use of proxy advisors, is paid for by SFIM. For segregated mandates any cost of executing votes is born by the client as part of their custody fee.

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 and for this reason we currently do not participate in these cases.



## 7. 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 further pursuit of unilateral engagement, and
- Whether our objectives are aligned with other investors

## 8. 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

Issues may arise where SFIM determines that there is a material conflict of interest. In such instances we will notify the specific client of our specific voting intentions. If there is disagreement between our voting intention and the wishes of the individual client, SFIM will abstain from the specific vote for that specific client. SFIM will also consult the Stonehage Fleming group conflicts interest policy and may take further action if required.

## 9. RECORDKEEPING

SFIM maintains documentation related to each proxy vote, including (i) a record of how we voted, and (ii) any documents created by the portfolio manager or others, that were material to the voting decision. We also maintain a record of engagements with companies. Such records are maintained for at least 5 years.

Clients with discretionary segregated equity mandates can request information on how SFIM has voted on their behalf.

SFIM fund teams maintain minutes of all company engagement and a record of each event. This includes any communication with a company, whether currently owned or not, including e-mails, phone calls, investor events and meetings. For funds (unless they are private), we will disclose, on an annual basis, how we have voted over a calendar year on our website. Disclosure will include:

- a summary of voting behaviour and of votes cast



- an explanation of the most significant votes cast

## 10. DISCLOSURE FOR US PERSONS

If we decide to use a proxy advisory firm to assist with our proxy voting responsibilities, Under the Investment Advisers Act 1940 there are certain obligations which we need to meet for clients that are US Persons. We must assess whether the proxy advisory firm has the capacity and competency to adequately analyse proxy issues. We should implement policies and procedures to assist with our oversight of these companies and consider factors such as the advisory firm's: Policies and procedures, their firm and staffing, whether they have current and accurate information to base their proxy vote recommendations on and whether there are any material conflicts of interests. We must ensure the advisory firm is acting in the best interests of clients at all times.

Sources	
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#the-uk-stewardship-code">https://www.frc.org.uk/investors/uk-stewardship-code#the-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>
Investment Advisers Act 1940	Rule 206(4)-6

## 11. VERSION CONTROL

Date of review	Sections changed	Brief summary of changes	Person that made changes
July 2020	Initial Version	N/A	N/A
October 2022	All	Policy title changed from Revised Shareholder Rights Directive Policy to SFIM Voting & Engagement Policy. Added US SEC wording. Clarified that the policy does not apply to advisory accounts. Added that clients have to agree to incur costs for voting for discretionary accounts before we will vote for them. Added further detail to conflicts of interest section. Approved by the SFIM Board 26/10/2022.	Peter Rogerson



