



# **Slater Investment Limited's Shareholder Rights Directive II (SRD II) Engagement Policy**

September 2020

## **Introduction**

This policy describes our approach to shareholder engagement where in exercising our authority to manage client portfolios under a Discretionary Investment Management Service we, Slater Investments Limited (SIL), invest directly in shares of companies with a registered office in an EU member state and whose shares are admitted to trading on an EEA regulated market (or on a comparable market outside the EEA).

We believe that effective stewardship and engagement benefit companies, investors and the wider economy. This document comprises our Shareholder Rights Directive II (SRD II) Engagement policy, which complies with the principles of the SRD II.

The SRD II aims to promote shareholder engagement and improve stewardship practices across the European Union (EU). The updated Directive, which has been implemented into domestic law in the United Kingdom, became effective as of 10 June 2019. The SRD II imposes transparency obligations on institutional investors (such as insurers and pension funds) and asset managers (such as investment firms providing discretionary portfolio management services) to the extent investments are made in shares traded on a regulated market, including certain markets situated outside the European Economic Area (EEA), and encourages long-term shareholder engagement.

Under the SRD II, SIL is required to disclose a shareholder engagement policy or provide a clear and detailed explanation why we are not. In accordance with our disclosure obligations this policy provides information on how we:

1. Integrate shareholder engagement in our investment strategy;
2. Monitor investee companies on relevant matters, including:
  - a) Strategy;
  - b) Financial and non-financial performance and risk;
  - c) Capital structure; and
  - d) Social and environmental impact and corporate governance.
3. Conduct dialogues with investee companies;
4. Exercise voting and any other shareholder rights;
5. Cooperate with other shareholders;
6. Communicate with relevant stakeholders;
7. Manage actual and potential conflicts of interests in our engagement.

## **Annual Disclosure Obligations**

As part of the SRD II's disclosure requirements, we will disclose annually via the website the following information, where applicable:

- The engagement policy's implementation;
- A general description of voting behaviour;

- An explanation of the most significant votes;
- The use of the services of proxy advisors; and
- How the firm cast votes in the general meetings of companies in which it holds shares unless these votes are considered insignificant due to the subject matter of the vote or the size of the holding in the company.

### **Annual Disclosure on Behalf of SRD Institutional Investors**

The firm will disclose the following information, where applicable, annually where the firm invests on behalf of **SRD institutional investors**, whether on a discretionary client-by-client basis or through a collective investment undertaking.

An Institutional investor covered by the Directive is generally an undertaking carrying out the activity of life assurance and/or of reinsurance, provided that those activities cover life-insurance obligations, or an institution for occupational retirement provision. If you are unsure whether you are an institutional investor, please contact Slater Investments Limited.

The disclosure must include reporting on:

- How the investment strategy and its implementation comply with the mandate in place;
- How the investment strategy contributes to the medium to long-term performance of the institutional client's assets;
- The key material medium to long-term risks associated with the investments;
- Portfolio composition;
- Turnover and turnover costs;
- The use of proxy advisors for the purpose of engagement activities;
- The policy on securities lending and how that policy is applied to support the firm's engagement activities, if applicable, particularly at the time of the financial performance;
- Whether and how we make investment decisions based on evaluation of medium to long-term performance of an investee company, including non-financial performance; and
- Whether conflicts of interests have arisen in connection with engagement activities and how we have dealt with these conflicts.

### **The Use of Proxy Advisors**

SIL does not use a proxy voting adviser.

### **Portfolio Turnover and Turnover Costs**

As required by the SRD II annual disclosure requirement, information on portfolio composition, turnover and turnover costs is provided, where applicable, as part of our periodic client reporting.

### **Investment Stewardship at Slater Investments Limited**

SIL undertakes investment stewardship engagements and proxy voting with the goal of protecting and enhancing the long-term value of our clients' assets. In our experience,

sustainable financial performance and value creation are enhanced by sound governance practices, including risk management oversight, board accountability, and compliance with regulations.

SIL takes a long-term perspective in its investment stewardship work informed by two key characteristics of our business: the majority of our clients are saving for long-term goals, so we presume they are long-term shareholders; and the majority of our equity holdings are held over the course of many years, so we are, by definition, long-term shareholders. SIL's approach is client centric and its philosophy is based on meeting its clients' wishes, requirements and their appetite for risk in order to invest in what is suitable for them.

SIL's approach to corporate governance and stewardship is outlined in our [Engagement Policy](#) and [Stewardship Code](#). Our Principles provide the framework for our more detailed, market-specific voting guidelines, which are reviewed annually and updated as necessary considering market trends, learnings from engagement, and public policy developments.

### **Investment Committee and ESG Team Functions**

The corporate governance program is led by SIL's Investment Committee and ESG team. Stewardship efforts are made across all portfolios investing in public companies, whether clients invest in branded sustainable investing funds or in our other active investment strategies. The ESG team acts as a central clearinghouse of SIL's views across the various portfolios with holdings in individual companies and aims to present a clear and consistent message on SIL's approach to corporate governance, including relevant environmental and social considerations.

The ESG team leverages market expertise to facilitate constructive dialogue with portfolio companies and contribute to the global discourse on ESG trends in investment. The Investment Committee sets out the philosophy and approach of investing in companies promoting sound business practices aligned with long-term value creation.

### **Analysis and Integration**

The ESG team confers regularly with the Investment Committee in identifying and assessing significant environmental, social and governance (ESG) issues impacting companies, and to exchange our insights on material ESG factors and performance matters relevant to investment decisions, including stewardship activities. We leverage relevant qualitative company information, as well as sector and industry research, which can be used in our analysis of and conversations with companies.

Our investment stewardship work, including direct engagement with companies, is one mechanism we use to integrate and advance material sustainability insights into the investment process to enhance long-term risk adjusted returns. Our stewardship efforts benefit from firm-wide data and insights on sustainability-related issues, and the Investment Committee benefits from the sustainability insights derived from our stewardship activities – a powerful, positive feedback loop.

### **Company Engagement**

The Investment Committee and ESG Teams engages with public companies on behalf of all portfolio strategies at SIL. When we engage a company we are focused on the long-term governance and business operational matters (including environmental and social considerations) that we believe are consistent with sustained financial performance. Each year we prioritize our engagement work around themes that we believe will encourage sound governance practices.

Some governance issues are perennial, such as board quality and performance, although the areas of focus may change over time. Other priorities are evolving and are informed by regulatory and other market developments. By publishing our engagement priorities and engagement commentaries, we aim to provide clients, companies, and industry participants more visibility into the areas on which we will be focusing and how we will engage companies on those topics.

### **Voting Rights**

Voting is an essential part of our efforts to protect and enhance shareholder value. It is the most broad-based form of engagement we have with companies and provides a formal channel for feedback to the board and management about investor perceptions of their performance and governance practices. We generally prefer to engage in the first instance where we have concerns and give the company time to address or resolve the issue. Our voting analysis is therefore informed by our company engagements, research and the situation at a particular company, which we assess through the lens of our internally-developed voting guidelines. Our voting guidelines are the benchmark against which we compare a company's approach to corporate governance and the items on the agenda for the shareholder meeting.

### **Working with Stakeholders**

We participate in a number of formal coalitions, shareholder groups or initiatives, which aim to further responsible share ownership and facilitate high-level communication between shareholders and companies on corporate governance and social and environmental matters. We will also engage collectively on matters of public policy, when appropriate, to help shape the policy debate and represent our clients' interests.

When we believe it is likely to enhance our ability to engage with a company or to achieve the desired outcome, and it is permitted by law and regulation, SIL may engage a company in collaboration with other organizations or investors (for example, through joint shareholder-company meetings). In general, SIL's approach to engagement has long been one of having our own private dialogue with companies, setting out our views and concerns and discussing ways these could be addressed. We believe it is important to engage in a discreet manner, rather than to publicly criticize or confront management, and to build relationships with companies over time that will enable us to provide constructive feedback when necessary.

### **Conflict Management Policies and Procedures**

We take all reasonable steps to identify, mitigate and manage conflicts of interest between the firm and our clients, client versus client conflicts, individual versus client conflicts and intra-group conflicts to ensure we act in the best interests of our clients. SIL's conflicts of interest's arrangements are outlined in the [Conflicts of Interest policy](#), available on our website.

In identifying the conflicts of interest that may arise while providing clients with services and activities, SIL will consider the following situations:

- Whether the entity or group entity is likely to make a financial gain or avoid a financial loss at client's expense.
- Whether a client is disadvantaged or makes a loss when a member of staff makes a gain.
- Whether a client makes a gain or avoids a loss while another client makes a loss or is disadvantaged.
- Whether the entity or a member of staff benefits at the expense of a group entity.

Our Principles and our commentary on conflicts of interest management describe how the stewardship team maintains policies and procedures that seek to prevent undue influence on SIL's proxy voting activity. Such influence might stem from any relationship between the investee company (or any shareholder proponent or dissident shareholder) and SIL, a Fund or a Fund's affiliates, or SIL employees.

### **Review**

This Engagement policy will be reviewed at least annually and is available on SIL's website.