

May 2019

UK Stewardship Code

The UK Stewardship Code (the “Code”) was published by the Financial Reporting Council, and aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

The Code is a voluntary code and sets out a number of principles relating to engagement by investors with UK equity issuers. Investors that commit to the Code can either comply with it in full or choose not to comply with aspects of the Code, in which case they are required to explain their non-compliance.

EFG Asset Management (UK) Limited (“EFGAM”) is a provider of actively managed investment products and services to professional advisers and institutional investors around the world. The key clients are EFG Private Bank Limited (“EFGPB”) and New Capital Funds.

EFGPB is part of the EFG Group, a global private banking group offering private banking and asset management services, headquartered in Zurich. EFGPB delegates management of its discretionary portfolios to EFGAM.

New Capital Funds is a platform for a range of funds for which EFGAM has been appointed as the global fund manager.

EFGAM supports the objectives that underlie the Code and believes that shareholder engagement is effective and works in the best interest of clients to improve long-term returns in the companies in which we invest on behalf of our clients. The Code sets out seven principles which are detailed below, together with an explanation as to the extent to which EFGAM complies with them.

Principle 1 – “Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.”

EFGAM believes that sound corporate governance will create a framework within which a company can be managed in the best interests of its shareholders.

EFGAM delivers intelligent strategies for thoughtful investors. Research lies at the heart of the EFGAM investment approach. All our investment decisions are informed by our own research and market analysis and we look for long-term trends and the value to be found in them. Macro-economic consideration, company financial and ESG analysis are all part of EFGAM extensive proprietary research that informs investment decision-making and is partnered with interaction with companies and proxy voting.

EFGPB has not delegated voting to EFGAM but will take instruction from its clients on a case by case basis.

In relation to funds managed on behalf of New Capital, EFGAM has engaged the services of Institutional Shareholders Services (“ISS”), a leading provider of corporate governance advisory and proxy voting services, to provide additional research on individual companies for which we are eligible to vote. EFGAM asked ISS to apply a sustainability overlay to the recommendation they send us but can overrule suggestions should they contrast with our voting policy or investment beliefs. EFGAM has the right to change a vote from the ISS recommendation and has up to the deadline set by ISS to have a vote changed.

Principle 2 – “Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.”

EFGAM has a Conflicts of Interest Policy. The policy highlights that EFGAM is required to take all reasonable steps to identify and manage conflicts of interests that could have a detrimental effect on customers to whom it provides a service. This applies to conflicts that arise in the context of the exercising of our stewardship responsibilities or when voting our clients’ shares.

In the event of a conflict of interest arising in the performance of our fiduciary responsibilities, and in particular in relation to the stewardship activities described by the Code, this matter will be referred to the relevant Head of Compliance, to ensure that EFGAM will always act in the best interests of its clients. Additionally should a fund manager be willing to overrule a suggestion from ISS sustainability voting policy, the Head of Research Governance has to approve the decision.

Principle 3 – “Institutional investors should monitor their investee companies.”

EFGAM conducts research that informs investment decision-making and active stewardship practices which aims to increase our clients' long-term financial returns and performance.

EFGAM performs primary research of macro-economics and strategy, equities, bonds and third party funds in support of New Capital. Each research area utilises its own structured due diligence process, typically a combination of quantitative techniques and subjective analysis integrating ESG risks. This might on occasion be augmented with research from third parties.

EFGAM manages its relationship with investee companies in such a way that it does not expect to be made an “insider” and would not expect to be made an “insider” at any meeting or industry event as this may affect our commitment to protecting and enhancing shareholder value.

Principle 4 – “Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.”

EFGAM has the ambition to meet the highest practicable standards of corporate responsibility in our own operations. Engagement involves regular discussions with the management of companies on a range of topics including; the company's strategy, operational performance, acquisition and disposal strategy, executive/board performance and management of ESG issues and drivers of risk and reward.

EFGAM meets with over 500 Companies a year, discusses strategy with the senior management and provides honest feedback and guidance to help develop the companies' strategy. Should ESG rating of invested companies be below acceptable standard, EFGAM will evaluate engagement activities with them. A specific “engagement policy” defines the guidelines for such an activity.

Principle 5 – “Institutional investors should be willing to act collectively with other investors where appropriate.”

Where considered appropriate, permitted by regulation and law and believed to be in the interests of our clients, EFGAM acts with other shareholders or participate to collective engagement activities.

Principle 6 – “Institutional investors should have a clear policy on voting and disclosure of voting activity.”

In relation to New Capital, it is the policy to vote at all companies in which there are equity holdings, unless there are material impediments to voting (for example, share blocking which prevents the trading of shares which are voted).

EFGAM has his own voting policy and for New Capital holdings, delegated ISS that applies its Sustainability Proxy Voting Guidelines. ISS make all voting recommendations following the Sustainability Policy. However, the ultimate voting decision remains the responsibility of EFGAM, which can overrule ISS suggestions. Voting records are available to clients on request.

EFGPB will take instruction from its clients on a case by case basis.

Principle 7 – “Institutional investors should report periodically on their stewardship and voting activities.”

Unless required by law, EFGAM does not disclose publically how its proxies are voted. However, it does offer its clients the ability to request vote reports.