

RIVER AND MERCANTILE

# River and Mercantile Investments Limited

## The UK Stewardship Code Statement

FCA Firm Reference Number: 195028

December 2019



# RIVER AND MERCANTILE

## The UK Stewardship Code Statement - version control and updates

Amendment Number	Date of Change	Summary of change	Reference
1	December 2019	First version	
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## The UK Stewardship Code

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### Background

River and Mercantile Investments Limited (RAMIL) is committed to and is an active supporter of the background and principles set out in The UK Stewardship Code established by the Financial Reporting Council (as updated in September 2012). Our responsibilities as an investment consultant and fiduciary manager extend to having a clear commitment to engagement. This ensures that our underlying asset managers are fulfilling their stewardship obligations by reporting on these activities to our clients. This assists them with the fulfillment of their stewardship obligations.

Investing in underlying managers on our clients' behalf or recommending an investment to a client confers certain rights and responsibilities on us. At the same time, environmental, social and governance (ESG) issues, and the management thereof, are integral to the sustainability of an investment. For this reason, as part of our investment beliefs, we incorporate ESG issues when analysing and reviewing underlying asset managers.

RAMIL's stewardship activities are primarily focused on voting and engagement in relation to pooled investment vehicles ("fund"), including exchange traded funds ("ETFs"). This is a consequence of the portfolios managed and advised by RAMIL which primarily constitute investments in pooled investment vehicles, alongside sovereign debt and derivative instruments that do not have associated voting rights.

We strongly believe the best way to improve the governance of the pooled investment vehicles held by our clients is through engagement with the underlying asset managers who manage these vehicles. Therefore, we will typically look to engage with a manager prior to voting against a resolution.

We have set out overleaf our responses to the seven Principles set out in The UK Stewardship Code.

## Principle 1

**Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.**

In line with the Financial Conduct Authority (FCA) requirements we have made available our responses to The UK Stewardship Code through our website and the FRC website.

RAMIL broadly has two client types, fiduciary management clients and advisory clients. Our stewardship activities differ by client type:

**Fiduciary:** we will use our expertise to make proxy voting elections on behalf of discretionary clients, under delegated authority. We recognise that our fiduciary responsibilities to our clients extend to ensuring the good governance of our client's investments. Through engagement with the underlying asset managers who manage the vehicles our fiduciary management clients invest in, we believe we can help to ensure that our clients achieve their ultimate objectives. Where engagement has not succeeded, we may vote against a resolution proposed by the board of directors of the underlying fund.

**Advisory:** advisory clients retain control of their voting rights and subsequently make their own proxy voting elections. Nevertheless, if advisory clients request guidance on proxy voting from us, we will use our expertise to provide assistance as necessary. It should be noted that we may not be notified of proxy votes related to funds held only by advisory clients, as we do not have authority over the accounts, which may limit our ability to assist and notify advisory clients of matters of interest.

Since 2013, we have voted on behalf of our fiduciary management clients. We regard voting on underlying funds as an important aspect of active ownership to encourage better governance standards.

Proxy voting is overseen by RAMIL's Operational Due Diligence team.

## 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.**

RAMIL is a subsidiary of River and Mercantile Group PLC ("the Group"), an advisory and investment solutions business providing a broad range of services, from consulting and advisory to fully-delegated fiduciary and fund management.

Confidence in RAMIL and the wider Group when acting on behalf of clients is at the heart of the relationship of trust between us and our clients. This means that when making investment decisions or providing products or services to clients RAMIL and the Group must always act in the clients best interests and put those interests ahead of our own. We also have an obligation to treat all clients fairly, which may give rise to the need to prevent conflicts of interest between different groups of clients.

Maintaining effective policies, systems and controls for the prevention of conflicts means that clients avoid unnecessary costs and should ensure that all clients have fair access to suitable investment services and opportunities. A copy of the Group's Conflicts of Interest Policy is available on request.

Whilst it is not practical to define precisely or create an exhaustive list of all relevant conflicts that may arise there are several key identifiable conflicts, such as trading errors, giving and receiving gifts, personal account dealing, cross trading and investment in our own funds. These are set out in the Group's Conflicts of Interest Policy and Conflicts Register together with some specific mitigation measures which the Group has implemented.

### Principle 3

#### **Institutional investors should monitor their investee companies.**

RAMIL's stewardship activities are primarily focused on voting and engagement in relation to pooled investment vehicles ("fund"), including exchange traded funds ("ETFs"). This is a consequence of the portfolios managed and advised by RAMIL which primarily constitute investments in pooled investment vehicles, alongside sovereign debt and derivative instruments that do not have associated voting rights.

As part of RAMIL's fund manager research process, an evaluation of each investment managers approach from both an investment and operational standpoint is a key part of the broader due diligence process, as well as ensuring compliance with industry standards.

Importantly we don't operate an exclusion policy, provided managers adhere to existing regulations; instead, where we identify potential stewardship issues we will discuss and consider these as part of the wider investment considerations to determine whether we are being adequately compensated for risk.

A mandatory element of our research involves the qualitative and quantitative assessment of the manager's ESG practices. When rating products, the respective analysts are required to document and comment on the manager's ESG processes. This will include assessment of group wide policies, as well as detailed information on how ESG factors are used in the specific fund's research, portfolio construction and governance practices. This information forms part of our mandatory investment notes which are reviewed and discussed by investment decisions makers in order to confirm our rating on products.

Through our subscription to a third-party ESG data provider, we have access to granular data on over 13,000 companies and sovereign issuers covering the vast majority of our prospective investments in standard asset classes. In both initial analysis and ongoing monitoring, we undertake quantitative analysis across the manager portfolios, assessing both relative to peers and benchmark.

When RAMIL advises clients on appointing new managers, we explain our manager research process including our consideration of stewardship issues. We also provide quarterly reporting on underlying managers to all clients.

We provide more granular updates to clients on request, tailored to their specific requirements. For example, we can provide quarterly summaries of underlying asset manager voting activity, annual reviews of manager stewardship practices and a breakdown of fund and manager scores relative to both their peers and benchmarks. We can also facilitate client discussions with their underlying asset managers about stewardship and arrange for their managers to present on their stewardship activities.

### Principle 4

**Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.**

We take an active approach to communicating our views to underlying funds and seeking improvements where we believe there are shortcomings in performance, or an underlying manager has failed to apply appropriate standards. We will continue our dialogue with the underlying asset manager over an extended period if necessary.

Escalation of our engagement activities will depend upon the fund's circumstances. Actions may include direct engagement with the underlying asset manager and where appropriate, voting against board proposals.

Instances when RAMIL may engage with underlying funds include when we have concerns about:

- Fund Board Composition
- Third party providers to the Fund e.g. Auditor, Administrator etc.
- Investor rights

Where possible we discuss our voting expectations with underlying asset managers as part of ongoing dialogue ahead of any meeting. In the event of expecting to vote against a resolution, we would seek to engage with the underlying asset manager prior to voting.

### **Principle 5**

**Institutional investors should be willing to act collectively with other investors where appropriate.**

We recognise that in many instances joint action by shareholders has the potential to be more effective than acting alone. This is especially so where shareholders have a clear common interest and at critical moments. Our policy is to be supportive of collaborative engagement in such circumstances, whilst acknowledging that due to our typical method of investment being via pooled investment vehicles, it may not be possible to identify other interested investors.

Any participation we have in collaborative engagement initiatives is strictly governed by our Competition Law Policy, Conflicts of Interest Policy, our Market Abuse Policy and any associated guidance provided by our Compliance Department.

### **Principle 6**

**Institutional investors should have a clear policy on voting and disclosure of voting activity.**

We exercise voting rights on behalf of fiduciary management clients, in doing so we seek to apply core principles of corporate governance that are relevant to all markets, whilst recognising that our voting activities primarily relate to pooled investment vehicles, which operate subject to different market practice than other assets, such as listed equities.

Where we have taken a decision not to support a management proposal we will, where practicable, seek to raise the issue(s) with the underlying manager prior to voting.

## Principle 7

**Institutional investors should report periodically on their stewardship and voting activities.**

RAMIL publishes details of our voting activity on behalf of our fiduciary management clients as part of our quarterly monitoring reports. From 2020, we will also be including an annual review which will include more detail on our stewardship and voting activities over the year.

This document is issued by River and Mercantile Investments Limited.

*Registered office: 30 Coleman Street, London, EC2R 5AL*

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***A River and Mercantile Group company***