

RIVER AND MERCANTILE  
INVESTMENTS LIMITED

# River and Mercantile Investments Limited

## Engagement Policy

FCA Firm Reference Number: 195028

**Date:** 30 June 2020  
**Owner:** Emily Forsyth-Davies  
**Approver:** RAMIL Board of Directors

### Engagement Policy updates

Amendment Number	Date of Change	Summary of change	Reference
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## Introduction

The aim of this engagement policy is to set out how River and Mercantile Investments Limited ("RAMIL") promotes effective stewardship and investment decision making in carrying out its duties as an investment manager in accordance with the requirements of the Shareholder Rights Directive II ("SRD II"). SRD II, implemented in the UK in June 2019, seeks to promote better shareholder engagement, improve transparency in the ownership of companies, and enable asset owners to understand the way in which their asset managers engage with the companies in which they invest.

It is important to note that this engagement policy is specifically focused on engagement in relation to pooled investment vehicles ("fund(s)"), including exchange traded funds ("ETFs"). This is due to the nature of the portfolios managed and advised by RAMIL which primarily constitute investments in pooled investment vehicles, alongside sovereign debt and derivative instruments that offer more limited engagement opportunities.

## Commitments and collaborations

The River and Mercantile Group of which RAMIL is a subsidiary, is a signatory to the UN-backed Principles of Responsible Investment ("PRI") and as such is publicly committed to the six aspirational principles and reports publicly on these annually, including principle 2 of the PRI which states that "we will be active owners and incorporate ESG issues in our ownership policies and practices".

We have also signed up to an Investment Consulting industry initiative (driven by UKSIF (UK Sustainable Investment and Finance Association) and AMNT (Association of Member Nominated Trustees)) which focus on ensuring our clients are well versed in ESG.

We are also supportive of collaborative engagements and in 2019 joined a group of 230 institutional investors (representing \$16.2 trillion in assets under management) to sign a statement urging companies to take action against the escalating crisis of the Amazon deforestation.

## Integrated shareholder engagement

RAMIL takes an integrated approach to responsible investment of which shareholder engagement is a key aspect. We undertake ESG ("Environmental, Social and Governance") engagement as part of our core responsibilities when acting as a fiduciary for our clients. This includes activities such as voting and operational due diligence assessments on the companies/funds we invest in on our client's behalf.

We often engage with underlying fund managers on themes which we believe helps us achieve a deeper level of engagement and increases the likelihood of us having a positive long-lasting effect on the industry. The types of themes we engage on are typically a reflection of the current industry position on a matter and our desire to see that position improve, such as the lower level of independent directors on fund boards compared to listed companies.

By directly engaging with the funds and fund managers we invest our clients with, we can effect change and improve environmental, social and governance standards, acknowledging that the majority of our engagements relate to governance aspects.

### Engagement theme examples

As noted, we seek to integrate ESG engagement into our core investment strategy processes.

Our Operational Due Diligence team are responsible for engaging with fund managers of external pooled investment vehicles on non-investment matters. They are also responsible for the voting undertaken on funds in-line with the RAMIL Voting Policy for Pooled Investment Vehicle Holdings. We believe that executing these two methods of engagement via a single team strengthens the engagements undertaken through both avenues due to the commonalities across the two forums.

We have detailed below some examples of the engagement themes raised by our Operational Due Diligence team through either due diligence reviews and/or voting activities:

- **Controversial weapons and cluster munitions:** we want all our underlying managers to have clear policies on controversial weapons and cluster munitions. Where these are not in place, we have requested these are implemented and where investment is permitted we have challenged the validity of rationale.
- **Lack of independent representation on Fund Board:** we believe a majority of independent directors on fund boards is best practice. However, given our understanding of the typical composition of fund boards we believe we are more likely to have a positive impact by seeking to ensure fund boards have a minimum of two independent directors, before pushing for best practice.
- **Excessive auditor tenure:** we have taken a position based on the maximum tenure permitted under the EU Mandatory Audit Firm Rotation Regulations.
- **Data protection:** we encourage all underlying managers to take a best practice approach to data protection and IT security, with all managers required to meet certain minimum standards. We review policies and process and engage where we believe improvements would be beneficial.
- **Operational risk:** we review the manager's non-investment policies and procedures to ascertain whether the risk management measures in place are appropriate and provide suggestions where we can see gaps.
- **Social and environmental impact:** we look at whether the underlying manager has adequate policies/practices in place covering areas such as diversity/inclusion, energy efficiency, recycling and avoidance of single use plastics. We provide feedback as appropriate and where necessary we provide suggestions for improvements.
- **Collaborations:** for those managers who are not PRI signatories and/or signatories to the UK Stewardship Code, we engage to encourage them to become signatories where appropriate.

When undertaking engagements, we keep an ongoing log and re-engage where appropriate. For example, where we see underlying managers have started to make improvements but there are still additional actions we would like them to take. Ahead of any voting against any management proposal on resolutions, we seek to engage with the underlying manager.

## Voting and annual engagement disclosure

As detailed in the RAMIL Voting Policy for Pooled Investment Vehicle Holdings, we believe that exercising our clients' voting rights in their best interests is an important part of our fiduciary duty. We will subsequently exercise our clients voting rights whenever possible. There may be occasions where we abstain, whether due to considerations around policy, process or cost to clients, however we will not abstain where we do not believe it is in the client's best interest to do so.

RAMIL are transparent about our engagement and voting activities. We will report key outcomes of our engagements in our annual engagement report, which will be available in early 2021 and cover the 2020 calendar year. The RAMIL Voting Policy for Pooled Investment Vehicle Holdings is available on our website [www.riverandmercantile.com](http://www.riverandmercantile.com).

## Conflicts of interest

Engagement can potentially lead to conflicts of interest. RAMIL will seek to prevent or manage any conflicts in accordance with the River and Mercantile Group Conflicts of Interest Policy, further details of which can be provided on request.

## Conclusion

The core of RAMIL's responsible investment approach is ESG integration and acting as an effective steward of our client's assets. We apply a collaborative and thematic engagement approach, which we believe is the most effective way to engage on behalf of our clients. By undertaking constructive dialogue with industry stakeholders we use our influence to seek improvements and enact change.