

Stewardship policy

“Asset owners and asset managers cannot delegate their responsibility and are accountable for effective stewardship. Stewardship activities include investment decision-making, monitoring assets and service providers, engaging with issuers and holding them to account on material issues, collaborating with others, and exercising rights and responsibilities. Capital is invested in a range of asset classes over which investors have different terms and investment periods, rights and levels of influence. Signatories should use the resources, rights and influence available to them to exercise stewardship, no matter how capital is invested.”

Stewardship Code Principle 1

Signatories’ purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Our purpose

HHL’s explicit purpose is to create long-term value for our clients, our business owners, our other stakeholders and our staff.

We believe this purpose can only be fulfilled if we embed sustainability into all areas of activity in which we engage: in the way we manage our company and our relationships with staff; in our contacts with third parties; and in the way, as stewards of our unit / shareholders’ assets, we approach investment across all asset classes in our investee companies and funds.

We seek where possible to engage with our stakeholders to:

- Build sustainable benefits to the wider economy

- Help maintain the solidity of the global financial system in the face of any external pressures
- Preserve, protect and improve our common environment
- Promote strong governance
- Play our part as a good corporate citizen and as individuals in fostering a prosperous and balanced society, and, above all,
- Create great outcomes for our unit / shareholders, our business and our staff

Our business strategy

Our business strategy is to:

- Grow assets sustainably, based on a rigorous but adaptable investment process, and a collegiate team based approach
- Generate excellent investment performance for our unit / shareholders

Our values

In order to underpin this strategy, HHL as part of Canaccord Genuity has developed a strong and distinctive corporate culture. The foundations for this culture lie within our three core values. We are:

- Accountable
- Approachable, and
- Aligned

Each of these implicitly speak to the sustainability of our business model and benefit the investment offering we make to our clients.

Our investment philosophy

Our investment philosophy entrenches sustainability and other ESG factors, including climate changes more generally into our investment decision-making.

Stewardship Code Principle 2

Signatories’ governance, resources and incentives support stewardship.

HHL has empowered the Fund Management Executive Committee to oversee its’ commitment to fulfilling its obligations under the Code.

This committee meets bi-monthly with Stewardship being a standing item covering:

- Engagement with investee companies across all asset classes
- Investment performance
- Performance in line with HHL’s ESG policy
- Results of voting where appropriate
- Any other relevant items

The committee also sets HHL’s stewardship priorities, as detailed below and will issue an annual report on our stewardship activities, including our priorities, which will be published on our website.

The business is committed to providing training to all staff on the implications of adopting a sustainable approach both to our business and to management of our client assets. This is achieved through in-house presentations as well as external providers.

The wider group has a long-established Diversity committee, which champions a more diverse and therefore a stronger company. We believe that strength comes from harnessing all our colleagues’ skills and experience, without reference to colour, nationality, gender, sexual orientation or physical handicap.

We ensure that Stewardship is embedded into our investment philosophy and process; making explicit reference to stewardship, sustainability and other ESG factors as integral to our investment decision-making process.

CGWM embeds stewardship principles in the firm-wide staff goals (key performance indicators). Stewardship and sustainability are integral to our core values, and this aligns our entire company with our responsibilities under the Code.

Stewardship Code Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

HHL manages conflicts of interest explicitly to ensure that we adhere to the highest standards of corporate governance and that our clients' best interests are always pre-eminent.

Part of this process is a continual self-assessment of where new conflicts may arise.

In common with the wider investment industry, HHL maintains a Conflicts Register, which, amongst others, incorporates potential conflicts arising from our stewardship activities, particularly as they relate to the relationship between CGWM (our wealth management business) and HHL.

From time to time HHL may be notified at an early stage when investee companies are contemplating major strategic or corporate initiatives and may therefore be in receipt of price sensitive information. HHL is able to manage such information due to the Conflicts of Interest Policy we maintain and the care and diligence with which we manage receipt of such information.

The key conflicts as they relate to stewardship will be published annually alongside the other disclosures HHL makes on our website, together with how those risks have been mitigated.

Stewardship Code Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

HHL, although not systemically important in the market as a whole, recognises that it is significant in size in the small cap area. We recognise that in this context we have a role to play in ensuring the stability of the financial system.

We seek to play our part in four ways:

- By ensuring that outcomes are based on a rigorous and disciplined investment process that generates high-quality results in a replicable manner. This is supported by a strong set of risk controls and a process that includes engagement with our investee companies
- By ensuring that our business is solidly financed and conservatively run, with a strong risk-control culture, backed by a wide range of targeted management information

- By participating in industry bodies, such as the Personal Investment Management and Financial Advice Association (PIMFA), and to cooperate, where appropriate on regulatory and financial systemic issues
- By engaging constructively and transparently, where necessary and appropriate, with regulators such as the Financial Conduct Authority (FCA) and political actors to support high-level systemic oversight

Stewardship Code Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

HHL keeps our investment process under continual review, in addition to continuous monitoring of our investment performance. Our stewardship policies are no different in this regard and may be reviewed at any time, but at least annually, at the instigation of senior management through the Fund Management Executive Committee.

Stewardship Code Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

HHL manages approximately £5bn in a range of unit trusts and a VCT – the beneficiaries of these funds being principally retail investors.

The funds managed are done so in accordance with their mandates, and are equity based. The objectives and risks of each fund are clearly documented in the fund literature, as are the target markets.

The direct relationship with the underlying investors lies with the fund, so our direct contact is limited, however we do endeavour to manage the funds in a way consistent with their objectives.

Stewardship Code Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Prior to making an investment, HHL will typically meet and interview the management of the investee company. Part of the investment case for the investment is to consider ESG issues such as good corporate governance and the environmental impact the company's operations may have. These sit alongside the other criteria we use to assess an investment. We approach each investment as a long term partnership and criteria are considered on this basis.

Stewardship Code Principle 8

Signatories monitor and hold to account managers and/or service providers.

HHL does not use 3rd party funds / investment managers. HHL does not use proxy advisers, and only uses data providers in the usual course of business (price data etc).

HHL ensures that it has adequate internal processes to ensure it can comply with its stewardship responsibilities.

Stewardship Code Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

As noted in Principle 12, HHL takes a proportionate approach to engaging with issuers over their compliance with the UK governance codes and/or the priority issues of the Fund Management Executive Committee, where these are in addition to the provisions of the codes.

Where we feel it is appropriate, we will escalate accordingly. This may be to the chairman, the company's advisers or the board as a whole dependent on circumstances. We would expect this to be a rare occurrence, but will publish examples of this on an annual basis.

Typically, such instances would be incident led (for instance a serious issue with remuneration structure, serious concern with auditors).

Stewardship Code Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

HHL will, where appropriate and proportionate seek to engage with other market participants in order to exercise its duties under the code. In addition, and subject to appropriate controls over conflicts of interest, as noted above, we may seek to participate in wider industry shareholder initiatives, seeking to enhance the quality of corporate governance, improve ESG outcomes and the longer-term economic interests of our clients as share- or bondholders (or indeed holders of any financial instrument). Although it should be noted that our preferred approach to engaging with companies is to escalate issues directly with them as outlined above.

However, in acknowledgement the need for HHL to balance our stewardship responsibilities with our available resources, HHL will take a proportionate approach to its engagement efforts. Just as for our voting policies, we will only seek to engage, where deemed necessary or appropriate.

As part of our annual stewardship return, HHL will disclose instances where it has acted in collaboration. In addition, where the engagement process is continuing, we will

identify unresolved but continuing issues and instances where our stewardship objectives have not been met.

Stewardship Code Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers

Subject to the proportionality disclosed under Principle 12 and , HHL will in the first instance prioritise compliance in its investee companies with the UK governance codes and those issues identified by the Fund Management Executive Committee. From time to time, other issues which HHL considers relevant, whether from a governance, sustainability or stewardship basis, may be added to our priority list, in which case we will communicate the issues to our investee companies in the normal manner.

Where necessary, we will escalate our concerns in a more formal manner. For example, if we have serious issues and concerns around remuneration packages, board compositions, change of auditors etc we would look to raise our concerns. This may be by contacting the board, senior management or a company's 'Nominated Advisor' (NOMAD). In such scenarios, we would aim to raise our concerns in advance of voting on the issues in order to give companies a chance to respond or resolve the issues.

We deal with issues and concerns on a case by case basis and do not have any prescriptive measures in place on how these should be addressed. We flag issues that warrant further investigation and each case has different sets of circumstances and therefore our means of escalating and action taken will be dependent on the individual case.

Stewardship Code Principle 12

Signatories actively exercise their rights and responsibilities.

HHL takes a proportionate approach to our stewardship responsibilities to exercise any voting rights.

We acknowledge that we have a duty to marry our desire to engage with our investee companies with the practicalities of a business of our size and resources. As a general rule, we are more likely to exercise our voting rights where we have a significant holding of the issued voting share capital and less likely to exercise our voting rights on smaller holdings where our holding of the issued voting share capital is considered immaterial. As an initial measure, therefore, we have taken the decision to consider voting on occasions where HHL holds more than 0.5% of the issued voting share capital of the underlying security. We would normally vote on positions where the issue is deemed material or if we believe the issue is contrary to the best interest of shareholders. Materiality in this context is a subjective matter but would include matters such as a reward scheme not meeting our expectations of fairness, or related party transactions.

In the context of disclosure, we regard the threshold for disclosing individual votes to be the level of declarable ownership set by the exchange which the investee company is listed, when aggregated at entity level.

HHL maintains records of its holdings in this regard which enable it to identify when such votes arise.

The Fund Management Executive Committee sets a series of priorities each year and the business targets these priorities when voting. Our voting record will be published annually on our website.

We will report the outcomes of our voting activity on an annual basis, identifying instances where we have voted against resolutions subject to the criteria mentioned above and we will give a brief outline of the reasons for doing so. We will identify when these votes have been exercised on our behalf through a proxy service. The results of all this activity will be posted to the relevant section of the HHL website.

As and where appropriate and possible, we will exercise these responsibilities in other geographies and asset classes, subject to similar proportionality measures and report them on our website.