

HARGREAVES  
LANSDOWN

# ENGAGEMENT POLICY

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Hargreaves Lansdown Fund Managers (HLFM) operate two fund ranges; HL Select (UK UCITS) funds which hold predominantly direct equity investments, and HL Multi-Managers (NURS) which hold a combination of unit holdings in external funds and externally managed portfolios of predominantly direct equity and debt holdings. This Engagement Policy covers both the HL Select and HL Multi-Manager ranges.

We are committed to being responsible investors and all of the funds managed by HLFM are done so in alignment with our Responsible Investment policy which can be found [here](#). HLFM are proud to be a signatory to the Principles for Responsible Investment as of 2021. The investment processes of both our Multi-Manager and HL Select funds all incorporate consideration of the ESG positioning of potential investments.

## Reporting on engagement and voting activity

We will report annually (following the end of our financial year) on the outcomes of our approach to engagement as outlined below. For our HL Select range, this will include our voting record for the period.

## Communicating with our Unitholders

We communicate regularly with our clients about our investment strategy and our views about the issues affecting the investments within our funds. For our HL Select range, our investments, and our rationales for holding them, are disclosed on a near-live basis.

## Conflicts of Interest

Actual and potential conflicts of interest will be managed in accordance with the Hargreaves Lansdown Group Conflicts of Interest policy, available [here](#). Where actual or potential conflicts relating to HLFM's engagement work are identified, these will be recorded in the HL Conflicts of Interest Register, along with mitigating controls and responsibilities.

## Insider Information

HL Fund managers should not be directly approached with market sensitive or material non-public information. From time to time, issuers of securities and their advisers may seek to engage with HLFM in relation to corporate situations where there may be an element of inside information. Requests of this nature should be directed towards the Investment Oversight team, which has processes for coordinating our response as appropriate.

Should any member of staff within HLFM obtain insider information during the day-to-day completion of their duties, it is immediately reported to the Investment Oversight team for logging. HLFM, in conjunction with the Investment Oversight Team, will then ensure trading is restricted in all investments to which they believe the insider information applies.

## HL Select Funds (UK UCITS)

HLFM seeks to be a responsible steward of its clients' assets. Part of this stewardship involves our engagement with investee businesses, with the aim of assuring strong governance. Engagement can complement our research efforts, to help deliver the best outcomes for our clients.

Our investment philosophy is to seek to identify high quality business models that can deliver superior returns over the long term. Accordingly our expectation is that we will normally be supportive of management, because we would not choose to invest in a business that we felt was poorly managed or governed.

## Engagement Principles

Our fund management and equity research teams consider a broad range of factors when considering making an investment and continue to assess these during the life of the investment.

We use engagement to both aid our decision-making processes and to influence corporate leaders. If we identify issues where we believe a different course of actions would lead to an improved outcome we will exercise our voting rights, where applicable. Where our holding is of a scale to make corporate access a realistic prospect, we will meet with executives or Board representatives to discuss these issues.

We monitor the business models and strategies of the companies in which we invest and assess whether these seem appropriate for each individual business.

We look at the risk factors facing the company, including ESG risks, and assess the company's approach to managing these.

The capital structure of a business is a vital decision for the board. They must balance the objective of achieving attractive returns on equity against the financial risk that leverage can impose upon a company. We are conservative in our approach to the financial structures we endorse.

We believe that sustainable returns can only be achieved if a company is operating its business in a responsible fashion. We expect businesses to achieve robust levels of environmental performance and to constantly seek to assess their capacity to improve this whilst earning economically viable returns. Management teams should report this progress clearly to their shareholders.

From a social perspective, we expect businesses to treat their employees fairly and to be a positive contributor to the communities within which they operate. We recognise that the act of providing employment itself is normally a significant benefit to a community.

Governance and long-term performance are inextricably linked. We expect our investee businesses to have boards and executives with the balance of skills necessary to both manage the business and provide oversight and control of the executive functions of the group.

Remuneration should be fair in the context of the industry and scale of the business and management incentives should be appropriately aligned with the long-term interests of the business and its stakeholders. Remuneration policies and outcomes should be clearly disclosed by companies in their regular reporting to investors. When we see inappropriate reward structures, we will express our views through voting and/or engaging directly with Boards.

Methods of Engagement

We can engage in a variety of ways, depending on the severity of the engagement topic. In some instances, corresponding with companies may be appropriate. In other cases, we may choose to hold meetings/ calls with investor relations teams, executives or Board representatives, alongside site visits.

Collective Engagement

When circumstances require shareholders to communicate with one another to address governance concerns we are happy to discuss publicly available matters with other investors. We will only do so if there is a realistic prospect of effecting change and we reserve the right not to engage with investors who do not have a significant holding in the company concerned.

Voting

We always seek to vote at meetings of the companies we hold in the HL Select funds, unless we are in the process of selling the position.

We take advice on voting from Institutional Shareholder Services (ISS), who have a long track record of monitoring and advising upon corporate governance best practice. In most cases we would expect to vote in accordance with their advisory stance, which we believe is well aligned with the standards of governance that we expect to see from companies.

We will vote contrary to ISS advice if we believe the specific circumstances merit an alternative stance. Often this will involve us engaging prior to the vote with the company concerned in order to better understand the situation in hand.

Instances where we may choose to vote contrary to advice may be where we believe it is appropriate to make exceptions to benchmarks such as Directors' length of tenure. Each Board is different and evolves over time. Applying a one-size-fits-all approach does not always produce optimal outcomes. Whenever we vote against ISS advice, a rationale is recorded.

We will provide a summary of our voting activity in our annual Engagement Report.

HL Multi-Managers (NURS)

The HL Multi-Manager funds hold predominantly unit holdings in a large number of externally managed funds. The HL Multi-Manager Investment team engage with fund management teams of the funds we hold throughout the year to assess performance. Part of this process is to receive regular updates regarding the engagement approach and outcomes achieved by each fund group.

This is in addition to monitoring the published engagement policy and annual reports issued by each fund group with whom we have a relationship.

We also have a number of segregated mandates in place with external managers where they manage portfolios of equities on our behalf. For these mandates, we delegate engagement responsibilities to the external manager, though we retain the right to direct the manager on how to vote at our discretion.

