

## **Engagement Policy**

HLFM operate two fund ranges; HL Select (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.

### **HL Select Funds (UCITS)**

Hargreaves Lansdown Fund Managers 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 and their 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. Managements should report this progress clearly to their shareholders.

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

### **Voting**

When our holdings in a company offer a meaningful degree of influence, we will always seek to exercise our voting rights. We will consider the factors above when arriving at our decisions. The fiduciary best interests of our clients is our primary consideration in arriving at voting decisions.

### **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.

### **Communicating with our Unitholders**

We communicate regularly with our clients about our investment strategy and our views about the issues affecting portfolio companies, via our regular blogs and the disclosure of our portfolio positions on a near-live basis.

### **Conflicts of Interest**

We seek to avoid creating conflicts of interest between the manager's organisation and our underlying clients as a matter of course. Should such a conflict be identified, fund managers will seek the advice of HL regulatory and legal teams and external legal counsel if necessary, to determine the most appropriate conflict mitigation strategy. Any required external disclosures will be made in a timely fashion.

### **Reporting**

We will report annually (following the end of our financial year) on the outcomes of our approach to engagement as outlined above. This will include our voting record for the period, where our holding affords us a meaningful degree of influence, or where we feel our position would be of interest to unitholders of our funds.

### **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.