

Introduction

Stewardship and engagement are a key part of Egerton's investment process. As it has a fundamental, research-intensive stock-picking approach to investing, Egerton's research process naturally leads it to seek to identify well-governed companies with sustainable, long-term business models. Egerton will look to engage with the management teams of portfolio companies to improve long-term returns for its investors and as a method for risk management, including for environmental, social and governance factors.

Egerton believes that its engagement with management on such issues is integral to the discharge of its stewardship responsibility and to the interests of its investors, and it is unlikely to invest in companies where it appears that management is not acting in the best interests of shareholders.

Engagement Approach

As part of Egerton's investment strategy, it seeks to build effective relationships with boards and strong management teams at the companies in which it invests, questioning them on their business, over the life of its investment. Engagement with investee companies is the responsibility of Egerton's Investment Team.

Egerton considers access to senior management an important part of the investment process and will generally meet with the management of portfolio positions half-yearly (at the very least) in order to discuss issues such as governance, strategy and shareholder value.

Egerton challenges companies where it sees scope for improvement that delivers long-term value, and pays close attention to corporate strategy, earnings quality and accounting risk, capital structure, as well as focusing on specific ESG issues.

As part of the research and monitoring process, Egerton may look to hold meetings with management and/or directors to express concerns or express its view through other channels. These concerns will often be motivated by the failure of management to act in the best interests of shareholders, and are likely to be when Egerton has concerns about the company's corporate governance, lawfulness/corruption or strategy.

Egerton will continue to meet or correspond with the company and monitor developments to assess changes in the company's approach and, if concerns persist, Egerton may intervene more formally by writing to the appropriate company board or committee members.

Egerton will consider whether it would be more effective to intervene collectively with other shareholders but will only do so where this is considered appropriate and, as a general rule, prefers to engage with issuers directly. Egerton may communicate with other shareholders regarding a specific proposal but will not agree to vote in concert with another shareholder without approval from Egerton's Chief Compliance Officer (to ensure compliance with market abuse rules). Egerton's preferred approach is to assess industry initiatives and engage through them, collaboratively, via its membership of the Alternative Investment Management Association.

Egerton endeavours to identify material problems with investee companies at an early stage to minimize any potential loss to investors. Such concerns may include, among other things, corporate governance and/or climate change issues where Egerton believes they have an impact on shareholder value. Alternatively, it may simply sell the relevant position to minimise any potential loss.

Voting

Egerton votes proxies in a manner intended to maximise the value of the investments for its clients.

Egerton aims to vote at all company AGMs where voting would not be detrimental to Egerton's investment strategy (e.g. voting prevents Egerton being able to trade in the shares).

We typically vote in favour of routine housekeeping proposals, including election of directors (where no sustainability factors appear relevant) but will vote against management where, for example, proposals could entrench management or make it more difficult to replace board members, or where there is a lack of, or poor, public disclosure of carbon and other GHG emissions, with no credible reduction plan.

Egerton's proxy voting procedures and record-keeping are undertaken by the Fund Operations team who, subject to Egerton's policies and procedures designed to manage conflicts of interest, refer to the relevant analyst for voting decisions.

Third-party tools like Proxy Edge and Proxy Vote are used to cast votes but, crucially, Egerton does not utilize the services of any other third party such as a proxy voting adviser and therefore remains able to fulfil its stewardship responsibilities by itself properly and fully.

Egerton provides an annual public disclosure of its shareholder voting activity, which is available on its website.

Governance

Egerton's Management Committee is ultimately responsible for the firm's policies and procedures in respect of stewardship and ESG risks.

The Management Committee meets monthly to discuss the day-to-day management of non-investment aspects of the firm. Its members are Egerton's Chairman, four senior analysts from the Investment team, the Chief Executive Officer (also the Risk Manager), the Chief Operating Officer and the General Counsel & Chief Compliance Officer, thereby ensuring cross-firm representation from the investment team, the middle and back office, and legal and compliance.

Egerton provides detailed reporting on proxy voting (especially ESG-related voting), quarterly, to the boards of directors of each of its funds under management.

Stewardship Commitments

Egerton committed to the UK Stewardship Code upon its inception in 2010 and became a signatory to the enhanced UK Stewardship Code 2020 in 2022. As a signatory to the UK Stewardship Code 2020, Egerton posts an annual report detailing its stewardship activities on its website.

Egerton became a signatory to the UN Principles for Responsible Investment (UNPRI) in April 2021. Annual UNPRI reporting, which Egerton undertook for the first time in 2023, constituted a form of external assessment of Egerton's stewardship activity.

Additional Stewardship Reporting

In addition to Egerton's Stewardship Commitments and associated reporting above, Egerton offers full position-level transparency to all investors (subject to a non-disclosure agreement), thereby enabling investors to raise queries about its stewardship activities.

Egerton provides an annual public disclosure of its shareholder voting activity via its website (<https://www.egertoncapital.com/esg-stewardship>) and, on request, provides detailed information on our proxy voting activity.