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# **SECOR**

## **Stewardship Policy**

September 2023

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## Introduction

This document has been prepared and is maintained by SECOR's ESG Committee. It includes details of SECOR's approach to stewardship and the active ownership of assets on behalf of our clients.



SECOR considers that stewardship plays an important role in managing sustainability and other ESG risks, and that it can help enhance value for clients with longer-term investment timeframes. Consequently, we consider that effective stewardship is in the best interests of our clients.

SECOR is committed to high standards of governance and stewardship, such as the UK Stewardship Code 2020 and the UN Principles for Responsible Investment.

While this document sets out our approach to stewardship in general, SECOR works with individual clients to implement bespoke Policies in line with their specific beliefs and requirements. Application may also vary depending on the degree of discretion, asset class, range of available implementation options, and other factors when considering the best approach for a particular investment for clients.

SECOR does not directly select individual securities; instead, it selects and combines specialist third-party investment managers (managers) to implement day-to-day investment activities, which includes voting and engagement. We recognise however, that we have an important role in monitoring our managers' activities and promoting best practice.

SECOR is a signatory to the UN Principles for Responsible Investment (since 2020), which is globally recognised and designed specifically for financial institutions. As a signatory, SECOR is dedicated to publicly demonstrating our commitment to responsible investment.

We agree with and support the UN Global Compact's principles on human rights, labour, environment and anti-corruption and societal goals, and we have incorporated these principles of Environmental, Social, and Governance (ESG) as part of our approach to ESG.

SECOR also recognises the 17 Sustainable Development Goals (SDGs) of the UN Global Compact and, as appropriate, reviews and considers managers and investments in part based on the factors highlighted by the SDGs.

This document should be read in conjunction with our:

- **ESG Policy** – which sets out our ESG Beliefs and Responsible Investment Principles, together with high level details of how we expect ESG and Stewardship to be integrated into our activities and advice for clients.
- **Sustainability Policy** – which sets out the key principles and approaches used by SECOR to address sustainability risks and opportunities, and other related considerations.
- **Proxy Engagement Policy** – which set out our approach and expectations of appointed managers in relation to exercising rights attached to investments and their engagement with debt and equity issuers.

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- **Modern Slavery Act and Human Trafficking Statement** – which sets out our commitment to ensuring that our business and supply chains are free from modern slavery and human trafficking.

## Engagement

Engagement with our managers is a key part of SECOR’s approach to stewardship. We consider that managers are typically best placed to prioritise particular engagement topics by security; they are expected to have detailed knowledge of both the governance and operations of the companies and issuers they invest in and should therefore be best placed to engage on topics that are most material to each security.

We actively engage with managers through regular meetings and calls, semi-annual meetings and via our comprehensive annual ESG questionnaire. Our research team engages with managers on their overall approach to ESG integration and stewardship, including their policy commitments, integration of ESG considerations across their investment processes and voting and engagement activities. Managers are expected to highlight any concerns that may require engagement with underlying securities, and to report on their related activities and the outcomes.

Our annual ESG questionnaire and semi-annual manager checklist are important tools when assessing managers’ stewardship approaches, along with insights shared by managers through their regular reporting and in our engagements with them. The questionnaire seeks to gather information on the approach managers have taken to stewardship (voting and engagement) and seeks clear examples which demonstrate the effectiveness of engagements and voting activity, especially in related to SECOR’s priority themes (which are climate change, biodiversity, human rights and labour practices, and diversity, equity and inclusion - please refer to our Sustainability Policy for more information). Additionally, please see SECOR’s Modern Slavery and Human Trafficking Statement regarding SECOR’s commitment to principles on human rights, labour and modern slavery.

From the responses to the questionnaire, reporting and related discussions, we identify key areas of interest for our ongoing discussions with managers throughout the year. These will be recorded and prioritised in our Manager Engagement Log. We will seek to focus our engagement on managers which have a relatively low SECOR ESG rating compared with that of their peers, and where we consider that there is the greatest potential for improvements. We will also record in the Engagement Log where we consider that follow-up or escalation is required, and what progress the manager is expected to make.

In our questionnaire and discussions with managers, we seek evidence of positive momentum on, and positive outcomes from, the managers’ engagement activities.

### High-severity ESG-related risks

SECOR seeks to identify and monitor listed portfolios for high-severity ESG-related risks as set out in the UN Global Compact (“UNGC”) Principles that relate to human rights, labour, environment and corruption issues.

In response to identified incidents, we will engage with the managers owning those securities and seek their views on the risk, return and reputational implications as well as their insights on the issue. Engagements with managers’ holding with high-severity incidents will be prioritised based on the duration of the incident and the holding period of the manager.

Where a manager is identified as having exposure to a company with a high severity incident, the manager is expected to provide updates at least annually to explain the progress being made and their anticipated next steps.

We will escalate our engagement, and may ultimately disinvest from a manager, if:

- we consider that their engagement with an identified company has not be sufficient or effective; and/or
- the company has not taken remedial action and the manager continues to keep the company in their portfolio beyond what we consider to be an appropriate period of time.

The extent of the engagement and remedial action expected, and what we consider to be an appropriate period of time, will depend on the nature and severity of the incident.

### Collaboration

We expect our managers to consider collaborations with equity shareholders, bondholders and other stakeholders, which may include industry associations, regulators and government authorities, where there is an opportunity and reasonable ability to improve long-term investment outcomes and contribute to more sustainable and stable global financial markets. The extent to which this is possible, and an appropriate allocation of time and resources, will depend on the manager and the specific circumstances.

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SECOR will also consider collaborating with other parties where we believe it is in the best interests of our clients and that we will be able to make a meaningful contribution towards achieving a positive outcome.

### **Escalation**

SECOR expects our appointed managers to escalate stewardship activities to influence issuers where necessary when engagement and collaboration may result in desired outcome. We expect managers to adopt clear guidelines on escalation processes and to report on these activities and outcomes to SECOR. Their reporting should include the issue(s) and the reasons for their chosen approach, and sufficient details on the matter.

SECOR appreciates that escalation issues and methods will vary based on manager strategy, asset class, materiality and local laws and regulations and expects each escalation matter will be unique and would be considered on a case-by-case basis. As we support our clients by monitoring the stewardship and engagement activities of managers (including escalation of engagement activities), we expect full transparency from each manager.

## **MANAGER VOTING**

Shareholders of publicly listed companies have the right and, for many of our clients, a fiduciary responsibility to vote at shareholder meetings.

We carefully evaluate each manager's stewardship capabilities and their ability to support our commitment to good governance, integration of sustainability considerations, and the enhancement of long-term value, as part of our manager selection process.

Proxy voting responsibility is delegated to managers with the expectation that all shares will be voted in a timely manner, and in a way which is deemed most likely to protect and enhance value.

SECOR expects managers to establish their own voting policies (or as appropriate work with industry leading proxy advisors) which clearly set out the principles and guidelines under which rights to vote will be exercised.

### **Disclosure of significant votes**

What constitutes a significant vote (or voting exceptions) will vary depending on the nature and circumstances of a particular company and we expect and rely on each manager to identify and report on such votes accordingly. In addition, we focus on managers' voting activity and supporting rationale for shareholder resolutions relating to our priority engagement themes.

### **Conflicts of Interest**

We identify and assess each manager's policies and procedures to manage conflicts of interest in relation to stewardship. Managers are required to report on any conflicts of interest and demonstrate that they have adhered to their conflicts policies and reported any breaches.

(please see SECOR Proxy Engagement Policy for additional information)

## **REPORTING AND DISCLOSURES**

SECOR is committed to providing clear and transparent reporting on its stewardship activities.

On an annual basis, we intend to publish a Stewardship Report, which will set out how this policy has been implemented in line with the UK Stewardship Code 2020 (the Code). The report will include highlights of engagements with managers and results from our annual manager ESG questionnaire. We are committed to being a signatory of the Code and will report annually in line with the requirements of the Financial Reporting Council.

On an annual basis (at least) clients will be provided with fund specific information relating to the voting and engagement activities of their managers.

### **Policy Review and Update Process**

This policy is designed to be a "living document" and will evolve over time. SECOR will regularly assess the appropriateness and sufficiency of this Policy and it will be updated as required.