

# Stewardship & Engagement Policy



Equilibrium Investment Management is committed to incorporating environmental, social and governance (ESG) factors into our investment management and decision making.

It is our firm belief that taking ESG into account is both the right thing to do, and a necessary part of investment and risk management.

This policy explains how we will act as responsible holders of investments on behalf of our clients. It applies to all our investment portfolios and not just those with a specific ESG-related mandate.

This policy sets out the general principles about how we will act rather than being a set of prescriptive rules.

## Principles for responsible investment

Equilibrium are signatories to the Principles for Responsible Investment (PRI). This means that we have committed to the follow six principles:

- 1.** We will incorporate ESG issues into investment analysis and decision-making processes.
- 2.** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3.** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4.** We will promote acceptance and implementation of the Principles within the investment industry.
- 5.** We will work together to enhance our effectiveness in implementing the Principles.
- 6.** We will report on our activities and progress towards implementing the Principles.

We will only work with investment partners and fund managers who also commit to these (or similar) principles (see working with fund managers section).

## Our core principles

In addition to being signatories of the PRI and the commitments that this entails, we employ 5 principles of our own regarding the integration of ESG into our investment process:

### **1. ESG scores alone are insufficient.**

- ESG scores are a backward looking assessment of a company's operations.
- Data in this space is often not sufficiently reliable and varies by provider.
- We, therefore, prefer to use this as a basis for engagement rather than set targets.

### **2. It is better to assess the impact of portfolios on the real world.**

- We monitor the impact of the portfolios on the real world through metrics such as CO2e emissions.
- Here, data is more reliable and objective.

### **3. We will actively engage with companies and exercise our right to vote at AGMs, and partner with firms who do the same.**

- We require all third parties to be a signatory of either the PRI or PRB (Principles for Responsible Banking) and will monitor engagement through several metrics.

### **4. Where conflicts arise, we will prioritise environmental issues.**

- This was signaled as the preference during staff and client engagement.
- Environmental issues are also the most difficult to reverse and often underpin social and governance issues (e.g. the displacement of people due to climate change).

### **5. Engagement over exclusion where credible.**

- This means engaging with companies to encourage best practice rather than selling voting rights to other investors who may be less responsible.



## Working with managers and monitoring

We recognise that the majority of our assets are managed by external investment managers, who will be responsible for voting and engaging on our behalf.

We would expect all fund managers we work with to actively engage with companies to encourage best practice from an ESG perspective.

This should include monitoring ESG issues that might affect the company or its supply chain and engaging both formally and informally. Where appropriate, this should involve actively using their votes as shareholders on behalf of Equilibrium and its clients.

We will monitor third party investment manager's stewardship activities to ensure that they continue to meet the standards that we expect by monitoring annual events, as well as available quantitative metrics, such as PRI scorecards and Share Action's 'Voting Matters' report.

This monitoring has a particular focus on companies with high social and environmental impact, such as companies that feature on the Climate Action 100+ list.

We will assess manager performance against our the above principles and keep a log detailing all our engagements with them.

Whilst we would normally hope to resolve such issues through engagement, if we are not satisfied with the response the ultimate sanction may be to sell the fund.

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## Ownership and voting

While the majority of assets are held with third party fund managers, a proportion of assets will be held directly.

In this instance, the responsibility for engagement, voting and other stewardship activities lies with Equilibrium Investment Management.

Where there is an event where Equilibrium are entitled to vote, will be notified of such an event initially through the custodian and will consider their vote on a case by case basis.

The decision will ultimately be agreed by the Equilibrium Investment Management Committee with consideration taken towards the interest of the final investor.

Equilibrium will send responses to exercise their voting rights where applicable.

In compliance with SRDII we will publish our voting decisions on our website on a monthly basis.

