



Engagement Policy

Fulcrum Asset Management LLP

January 2022

Introduction

Fulcrum Asset Management LLP (“**Fulcrum**” or “**the Firm**”) is authorised and regulated by the Financial Conduct Authority as an alternative investment manager with additional collective portfolio management permissions for the provision of discretionary investment services to a variety of clients and funds. Fulcrum is in general a top-down, macro investor alongside a significant systematic business.

The Shareholders Rights Directive II¹ (“**SRD II**”), in force as of June 2019, seeks to equally promote effective stewardship and long-term investment decision making. This policy therefore aims to set out Fulcrum’s commitments to the requirements under SRD II².

This policy was originally approved by the LLP’s Management Board³ in November 2019 and should be read in conjunction with the Firm’s UK Stewardship Code Disclosure Statement, Proxy Voting Policy and Responsible Investing Policy, all available at www.fulcrumasset.com.

Fulcrum’s Approach to Engagement

Fulcrum is supportive of the UK Stewardship Code as published by the Financial Reporting Council to promote the quality of engagement between institutional investors and companies they invest in. Further details can be found in our UK Stewardship Code Disclosure Statement.

We approach engagement in two ways: by directly engaging with companies or external managers and by participating in collective engagement efforts.

Direct engagement

Climate Change is and has been a key focus for the Firm. It is a key priority for our engagement efforts and we have a view that it is one of, if not the most significant ESG risk over the longer term.

Our investment approach to physical equities is thematic by its nature and consequently we own large numbers of stocks in very diversified portfolios. Notwithstanding this, we regularly meet with company management and have opportunities to engage, even though we are relatively small shareholders. We have decided to focus our engagement activities on climate change, and we discuss the Science Based Targets initiative (SBTi) in as many meetings with company management as possible.

In our Alternative Solutions, where we work with external managers, we draw their attention to Fulcrum’s position as a signatory to the UN PRI and encourage them to be signatories and/or explain why not. We examine the level of appreciation of corporate governance that is on display by the external managers’ management team and we seek to determine whether the quality, ethics and decision making is suitable given their role as stewards of assets. Managers are asked for an update annually and we expect to see an improvement in their disclosure over time.

¹ Directive (EU) 2017/828

² As set out under COBS 2.2B of the FCA Handbook

³ LLP’s Management Board comprises of the Founder Partners and the Chief Compliance Officer.

Collective engagement

Fulcrum may liaise and align with industry groups, to leverage increased influence via aggregation and alignment of voting. We aim to collaborate with external sustainability initiatives and have joined several initiatives as signatories or supporters including: the Institutional Investors Group on Climate Change (IIGCC), the Taskforce on Climate-Related Financial Disclosures (TCFD), Climate Action 100+, CDP (formerly the Carbon Disclosure Project).

Escalation

Our escalation approach begins with targeted company meetings. Beyond this, we have the following options for further action regarding our holdings in physical equities:

- As described, we are signed up to the Institutional Investors Group on Climate Change (IIGCC) so that we can collaborate on specific issues where we want to take things further.
- Where we do not have a specific voting strategy predetermined, we adopt Glass Lewis climate voting policy as a default setting in line with our prioritisation of managing climate change as a risk.
- We can divest if we feel unmanaged ESG risks have reached an unacceptable level.

Our options for escalation with external managers are as follows:

- We explain to managers the importance of ESG in our investment process and how we believe it can improve outcomes if done thoughtfully.
- We share several key specific topics in advance of meetings to provide managers a chance to consider them in detail. We supplement this with unanticipated questions during meetings to ensure that managers are not simply paying lip service to the area of ESG.
- We can assign them a score of 1 in our proprietary scoring system (1-4), which means that they are highly unlikely to be selected in our portfolios. There have been two specific cases where this has occurred and despite repeated questioning and encouragement, we have been unable to gain sufficient comfort to invest.

Environmental and Social Impact and Corporate Governance

Fulcrum believes that environmental, social and governance (ESG) factors can have an important impact on the long-term performance of companies' financial returns. The Firm thus integrates these factors into the investment selection process with the aim of improving outcomes and risk-adjusted returns for clients.

Please refer to Fulcrum's Responsible Investing Policy available at www.fulcrumasset.com

Fulcrum's Proxy Voting Policy

Fulcrum maintains a Proxy Voting Policy which sets out the Firm's policy and procedure regarding proxy voting and ensures it is done in a manner consistent with the best interests of the Firm's clients. Fulcrum has engaged Glass Lewis, a proxy voting advisory firm, to provide the corporate governance voting recommendations relevant to the Firm's thematic equity investments.

Please refer to the Firm's Proxy Voting Policy available at www.fulcrumasset.com

Cooperation with Other Shareholders

Fulcrum may at times collaborate with other shareholders when engaging with an issuer. However, such decisions will be made on a case-by-case basis as it is often the case that where a company no longer meets the Firm's investment criteria in providing shareholder long-term value, the Firm will seek to dispose of its holdings rather than engage in collective action.

Managing Conflicts of Interests

Fulcrum has in place a Conflicts of Interest policy setting out how it manages actual and potential conflicts of interests arising from its business activities. The Firm recognises that there may be instances where a conflict of interest may present itself as a result of its engagement or voting rights. In such circumstances, Fulcrum will ensure that these are addressed and managed in accordance with the Firm's Conflicts of Interest Policy.

Review

This Engagement Policy is reviewed annually or more frequently if needed.