

# Baker Steel Capital Managers LLP



## Shareholder Engagement Policy

Version 1

January 2021

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1.0	December 2020	First draft of new SRD2 engagement policy completed	Nick Thomas
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## 1. Introduction

Under the Shareholder Rights Directive II (“SRD2”) and [COBS 2.2B](#), Baker Steel Capital Managers LLP (“Baker Steel” or the “Firm”) is required to develop and publish an Engagement Policy in respect of investments in shares of companies listed on a regulated market. This Shareholder Engagement Policy has been written in accordance with these requirements.

A key aim of SRD2 is to improve corporate governance by encouraging long-term shareholder engagement and to discourage excessive short-term risk taking. Baker Steel is committed to developing and executing robust investment strategies for the long term and acknowledges the positive impact successful shareholder engagement can have on the strength and success of investee companies.

SRD2 and this Policy only apply insofar as the Firm or the funds it manages, invest in shares traded on a regulated market. A regulated market includes markets that meet requirements equivalent to those in the UK and whose financial instruments are of a quality comparable to those in a regulated market in the UK. The quoted shares that the Firm’s Funds invest in generally meet these requirements.

## 2. Policy

Engagement with investee companies is an important part of our investment strategy. We use engagement to assess the performance of investee companies and the results inform our investment decisions.

### 2.1 Monitoring investee companies

Robust analysis and monitoring of investee companies is important to maintain and enhance the long-term value of investments. Our primary method of engagement is periodic monitoring conducted with company management through email, telephone and face to face meetings as appropriate.

We carefully monitor and analyse all investee companies prior to and during the period of investment on relevant matters including:

- strategy
- financial performance
- capital structure
- non-financial performance
- risk
- sustainability
- social and environmental impact
- corporate governance
- tailings management

We will assess investee companies based on data presented in or by company financial results, company presentations, third-party data providers and third-party research providers.

The purpose of the assessment is to ensure that the investment remains an attractive proposition, is still in compliance with the fund’s investment policy and is likely to contribute towards the fund achieving its investment objective.

In addition, environmental, social and governance factors considered during the initial investment process will be monitored on an ongoing basis to ensure that any defined pre-investment screening

criteria continue to be met and the investment continues to comply with the fund's investment policy and objective. In addition, principal adverse impacts are quantified and monitored on an ongoing basis with a view to managing and reducing these impacts.

## **2.2 Engaging with investee companies**

We consider engagement with investee companies as an integral part of the investment process.

We engage with management of investee companies on a wide variety of matters with the primary objective being to maximising shareholder value. Discussions generally cover strategy, risk management, performance, capital structure, sustainability, corporate governance and social and environmental impact. Discussions with investee companies usually seek to obtain general updates and specific information on the prospects and performance of the company, in order to update our investment models, and on occasion will take a more targeted approach and seek to address specific identified risks. Where we feel that our engagement will have a beneficial impact, for example, on the performance of the company, we may increase the engagement with the management team and, where necessary, the board.

The method of engagement will be appropriate to the materiality of the issue to be discussed. Engagement initially conducted through email, telephone and meetings with management may be escalated through additional meetings with the chairman and non-executive directors.

Where these actions do not resolve important issues that we believe are in the best interests of shareholders, we may vote against resolutions at shareholder meetings or sell all or part of the holding in the company.

## **2.3 Conflicts of interest**

We take all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, we manage, monitor and disclose those conflicts of interest in order to prevent them from adversely affecting the interests of the funds we manage and their investors, and to ensure that the funds are fairly treated in accordance with our Conflicts of Interest policy.

## **2.4 Voting rights**

Our primary method of influencing change will be by direct engagement with the investee company through shareholder meetings. However, where necessary, we will actively use our right to vote as shareholders to support improvements and drive change. We ensure structured records of our voting behaviour are kept, including any instances where we have voted against management and the reasons why this is the case, along with any other significant votes or issues voted on that have been the subject of engagement with the investee company.

## **2.5 Cooperation with other shareholders**

We will cooperate with other shareholders when it is deemed that the outcome of collaborating will have a greater impact than acting individually. This is assessed on a case-by-case basis and must comply with this Shareholder Engagement Policy, competition law and the relevant investment policy. The Firm notes that under competition law collusion on pricing is strictly prohibited. In order to reduce any risks relating to this, cooperation with other shareholders is generally restricted to environmental, social and governance matters including those relating to sustainability and stewardship.

## **2.6 Disclosure**

Given that we have decided to comply fully with the requirements of SRD2, we are required to publicly disclose this Policy and, on an annual basis, how the Shareholder Engagement Policy has been implemented, including a general description of voting behaviour, an explanation of the most significant votes and reporting on the use of the services of proxy advisors. This disclosure will be made following the first year of operation of this Policy.

The disclosure does not need to include votes that are not significant due to the subject matter of the vote or the size of the holding in the company.

## **3. Review**

The effective date of this Policy is 1 January 2021 and it will be subject to an annual review thereafter.