

# DEVON

## Equity Management

### POLICIES RELATING TO THE UK STEWARDSHIP CODE

13 March 2020

(to replace version adopted: 29 November 2019)

#### Introduction

Asset managers that are authorised by the Financial Conduct Authority (the “FCA”) are required under the FCA’s Conduct of Business Rules to produce a statement of commitment to the UK Stewardship Code (“the Code”) or explain why it is not appropriate to their business model. This document describes how Devon Equity Management Limited (“Devon”) applies the seven principles of the Code in its role as a discretionary asset manager of publicly traded equities. This statement is also intended to inform the unitholders in Devon’s commingled funds, the companies in which we invest and other market participants of Devon’s philosophy and practices regarding stewardship. This document also meets the requirement of an ‘engagement policy’ under the amended EU Shareholders’ Rights (SRD II).

The concept of stewardship concerns a person looking after someone else’s property. Devon expects the management and boards of the companies in our investment portfolios to be good stewards of their businesses. Devon expects them to maximise the long term prosperity of the company and shareholders by applying capital in the most effective manner. Successful companies benefit the wider economies of the countries where they operate.

At Devon, we aim to act in the best interests of all our stakeholders by engaging with the companies that we invest in, and by exercising our voting rights with care. This ensures responsible investment of our clients’ funds.

#### Principle One

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

We have a fund-manager-led approach, aligned to investment considerations and designed to enhance and protect our clients' capital. This document has been approved by the Board of Devon.

Devon seeks to deliver investment outperformance after fees over the long term, without exposing clients to unnecessary risk. Stewardship is an important factor which underpins this objective. Fund managers are free to follow their convictions, selecting what they believe to be the best opportunities the market has to offer over the long term. Fund managers take the lead on stewardship issues, working in partnership with senior Management at Devon.

### Principle Two

**Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.**

Devon recognises the importance of managing potential conflicts of interest on behalf of its clients when voting their shares and engaging with investee companies.

The objective is always to act in the client's best interests when considering matters such as voting and engagement. In accordance with FCA requirements, Devon has implemented an effective Conflicts of Interest Policy. Where a conflict of interest arises between Clients, Devon endeavours to ensure that all Clients benefit equally from an opportunity.

### Principle 3

**Institutional investors should monitor investee companies.**

Devon's investment team seeks to understand how governance factors impact long-term performance through monitoring. Devon's approach is to try and engage proactively, rather than reacting once problems emerge.

There is a continuous programme of meetings with management, chairmen and non-executive directors of investee companies. Discussions may include, but are not limited to, business strategy, acquisitions and disposals, capital raisings and financing operations, risk management, culture, board effectiveness and succession, board composition and diversity, shareholder rights, corporate responsibility, sustainability and remuneration.

Portfolio companies may wish to make Devon an insider when a significant event is pending. Being an insider prevents Devon from trading in the shares of the company, affecting the normal activities of Devon's investment programme. Devon looks to avoid becoming an insider unless there is a clear economic benefit to the Clients from doing so. Inside information should be communicated with Devon only with prior agreement from the CEO.

#### Principle 4

**Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.**

Potential considerations which govern escalation of corporate governance concerns are diverse. Devon may decide to escalate if, for example, there are specific concerns about an M&A transaction or concerns about board members or strategy. In these circumstances, we will seek a formal discussion with the chairman or a senior independent director. The list above is not exhaustive and there may be other occasions in which Devon may decide to escalate its activities.

Devon values its relationships with investee companies and the primary objective is to resolve issues directly without the need for external dialogue. However, if the situation persists, intervening jointly with other institutions will be considered. This will be decided on a case-by-case basis and will be guided by the relevant regulatory framework.

#### Principle 5

**Institutional investors should be willing to act collectively.**

In some circumstances collaboration with other investors may be the most productive action. This could be in situations where independent escalation has not produced a desirable outcome or during times of significant corporate or economic stress. In doing so, Devon gives due regard to its policies concerning governance and conflicts.

The decision to collaborate on company-specific matters will be taken on a case-by-case basis by the investment team. Devon may consider joint engagement in the following circumstances: i) concern over decisions relating to M&A activity; ii) issues with company leadership or board members; iii) concern over remuneration; iv) concern over strategy; and v) where there is difficulty accessing companies in certain markets. The above list is not exhaustive and there may be other occasions in which Devon may seek to act collectively.

In any instance where Devon may act collectively the Conflict of Interest Policy and insider list will be followed. External legal assistance may also be sought.

#### Principle 6

**Institutional investors should have a clear policy on voting and disclosure of voting activity.**

Devon maintains a clear policy on voting and disclosure of voting activity. Voting decisions are made by our fund managers, informed by their knowledge of the company concerned. Devon's voting policy incorporates best practice, but there may be occasions where the

nature of a company's business and explanations provided by the company warrant a different approach.

Voting forms an important part of our stewardship responsibilities and we will vote against management when we believe this will lead to a better outcome and is in the interests of our clients.

Principle 7

**Institutional investors should report periodically on their stewardship and voting activities.**

Investors may receive a quarterly summary of proxies voted or not voted by contacting Devon's Chief Executive Officer and asking to be included on the quarterly proxy voting distribution list. Devon does not provide third parties with information on how it has voted.

**Richard Pavry**

Chief Executive Officer