

# COLUMBUS POINT LLP

## **Statement of Commitment to the Financial Reporting Council's Stewardship Code**

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### Introduction

Columbus Point LLP ("Columbus Point") supports the aims of the UK Financial Reporting Council's Stewardship Code ("the Code"). The aim of the Code is to enhance the quality of engagement between institutional investors and the companies in which they invest to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Code is relevant to some aspects of our business but, subject to any local regulatory restrictions, its principles are applied to our investing in global markets.

As a signatory to the Code, Columbus Point is required to publicly disclose its application of the Code's seven principles which can be found on our website ([www.columbuspoint.com](http://www.columbuspoint.com)). Below we set out our commitment to and our application of the Code's Principles.

### **Principle 1 - Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.**

Columbus Point aims to invest in companies, on behalf of our clients, that we believe are well managed and, as appropriate, to build effective relationships with these investee companies.

Comprehensive research, monitoring and engagement with investee companies is essential to our investment process and is particularly important to us, given our long term approach to investing.

As part of our monitoring of investee companies, and subject to regulatory restrictions, we may engage with companies through meetings with senior management on a range of issues including the composition of the board, remuneration arrangements, adherence to local laws, strategy, performance, risk, capital structure, corporate governance, including culture and Environmental, Social and Governance (ESG) profile. We see such engagement with investee companies as invaluable in enhancing and protecting value on behalf of our clients.

We accept delegation from our clients to vote proxies on their behalf in line with their investment objectives with the intention of maximising value. Shareholder voting responsibilities are taken seriously by Columbus Point with each vote being fully reviewed and considered.

Columbus Point uses the "ProxyEdge" system of Broadridge Financial Solutions Inc. ("Broadridge") and, in addition, Glass Lewis Europe Limited ("Glass Lewis"), for the provision of analysis and recommendations on how to vote. These recommendations are based on a principle of maximising shareholder value. An analysis of the corporate governance implications of each vote is also provided.

Voting recommendations provided by our proxy service providers are not automatically followed by Columbus Point. Our investment managers are responsible for reviewing the vote and the recommendation and determining their own course of action, taking into account the best interests of clients. By reviewing each vote the investment managers keep abreast of corporate and other issues arising and can positively impact the strategy and direction of companies in which our clients invest.

Our engagement with companies is typically carried out privately, although we would consider collaboration if we thought it would lead to a more successful outcome. We aim to have well established, long-term relationships with investee companies and believe that private engagement allows us to engage in a more

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purposeful dialogue. We may communicate with other shareholders on a specific issue and would consider working with like-minded investors where we believe that co-ordinated action would be in the best interests of shareholders.

Where issues of concern are identified, we would initially seek to allay these through engagement with the company directly through meetings or communications with company senior management, escalating to the Chairman or Chief Executive Officer, if required.

Where engagement does not lead to the desired outcome, we will consider whether the company's approach undermines our investment thesis. If it does, we will sell the stock as we typically do not favour public confrontation or discussion in the media.

### **Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.**

Columbus Point acts in the best interests of its clients, therefore we seek to optimise investment returns for our clients through capital growth via investment in well governed companies. Our principal objectives when considering matters such as engagement and voting are always to act in the best interests of our clients and to treat them fairly.

We believe our interests are aligned with clients as our revenues are dependent on both management and performance of the portfolios we manage. A majority interest in Columbus Point, a limited liability partnership, is held by Robert Cope, who also heads the investment team, so it has a simple structure posing no obvious conflict to Columbus Point's stewardship objectives for its clients. In addition, Columbus Point manages a single global equity investment strategy.

Columbus Point maintains a robust conflicts of interest policy which identifies conflicts and potential conflicts, and outlines the steps we take to prevent and manage those conflicts. The policy is reviewed and updated, where material change occurs, and at least annually by our Compliance Officer. Our conflicts of interest policy and procedures ensure that decisions are taken wholly in the interest of clients and we aim to ensure that all potential and actual conflicts are identified, evaluated, managed, monitored and recorded.

Examples of potential conflicts arising between Columbus Point, its staff and its clients include where:

- (i) Columbus Point may act as agent for a client in relation to transactions (and proxies) in which it is also acting as agent for the account of other clients;
- (ii) Investments in investee companies are made for more than one client;
- (iii) A member or employee of Columbus Point holds or deals in securities of, or is otherwise interested in any company whose securities are held or dealt in on behalf of clients;
- (iv) An inducement is provided by a third party to Columbus Point or its staff which may inappropriately influence its actions;
- (v) Columbus Point aggregates transactions for more than one client and then subsequently allocates such transactions to its clients;

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(vi) Remuneration arrangements are such that they inappropriately incentivise staff to behave in a manner that disadvantages the interests of clients in favour of the firm or other clients;

(vii) The value of securities held in client portfolios are mis-stated, or pricing errors are not rectified.

Columbus Point has put measures in place that are designed to minimize the risk of conflicts of interest adversely affecting the interests of its clients. These include:

(i) Adopting policies that ensure that staff handle the affairs of its clients at all times in the best interests of those clients and with due regard to identifying and preventing, or managing, conflicts of interest;

(ii) Requiring potentially sensitive activities to be kept confidential (e.g. via confidentiality clauses in employment contracts and in its Compliance Manual);

(iii) Adopting policies to ensure that its staff (and their related persons and business interests) cannot benefit personally from their employment at the expense of clients (e.g. via its Code of Ethics containing policies on personal account dealing and gifts and inducements);

(iv) Avoiding compensation arrangements which could disadvantage clients (i.e. via the implementation of appropriate remuneration and discretionary bonus arrangements);

(v) Adopting measures to prevent or limit any person from exercising inappropriate influence over the way another person carries out services or activities (e.g. through risk management activities and segregation of duties); and

(vi) Adoption of a Valuation Policy describing the arrangements for fair valuation of the client portfolios.

In the event that a material conflict is identified that we cannot prevent or manage appropriately, as a last resort, we will report this to the client and agree the way forward. Where we consider that we are not able to prevent or manage the conflict of interest adequately, we will decline to act.

A copy of the Firm's conflicts of interest policy is available upon request.

### **Principle 3 - Institutional investors should monitor their investee companies.**

Comprehensive ongoing research and monitoring of investee companies is fundamental to our investment process. Our investee company monitoring process includes recording interaction with the management of investee companies or other companies which we have identified as potential investments, analysing annual reports and financial statements, industry information, independent third party and broker research, attending company meetings and road shows, proxy voting corporate research provided by Broadridge and Glass Lewis, press reports and other relevant sources of information. We may also meet with or talk to competitors of the investee companies in order to gain a fuller understanding of the competitive environment prior to investment in new sectors.

Our research activities focus on whether the company's growth can be sustained, the effectiveness of leadership and how management promote the long term sustainable success of the company. Monitoring of effectiveness is ongoing with the investment thesis being kept under regular review.

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The escalation method utilised, and the extent of engagement with management of investee companies, will be influenced by the nature of the particular topic and its perceived effect upon long-term investor value. We will carefully consider departures from international best corporate governance practices and will seek explanations accordingly.

In normal circumstances, we do not wish to be made insiders. We expect investee companies and their advisers not to convey information to us that could affect our ability to deal in the shares of the company, without prior agreement.

### **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.**

Through our on-going research and monitoring of investee companies, we endeavour to identify problems at an early stage to minimise any loss of shareholder value. We will follow the course of action which is in the best interests of our clients with any such action tailored to the particular circumstances, which may include reduction or elimination of an investment.

If we have concerns, where appropriate and subject to any regulatory concerns, we will use our best efforts to ensure that the appropriate members of the investee company's board are made aware of them. These concerns will generally be motivated by the failure of management to uphold shareholder value. Columbus Point will continue to meet with the company and monitor developments to assess changes in the company's approach. If the issue has already been discussed at length and not satisfactorily resolved, we would typically write to the Chairman or CEO of the company.

In general, Columbus Point is unlikely to make public statements, submit resolutions, requisition a general meeting or make a shareholder proposal. We believe that any escalation is typically best carried out on a confidential basis.

### **Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.**

We may communicate with other shareholders on a specific issue and will consider working with like-minded investors where we believe that co-ordinated action would be in the best interests of shareholders.

Columbus Point has no objection, in principle, to collective action by investors and will consider any specific action on a case by case basis subject to regulatory restraints, company strategy or governance. However, in normal circumstances, Columbus Point will tend to act on a confidential, private basis when engaging with or expressing concerns to investee companies.

However, Columbus Point will not agree to vote in concert with another shareholder without written approval from our Compliance Officer.

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### **Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.**

Columbus Point maintains proxy voting policies and procedures that are designed to ensure that it votes available proxies in the best interests of its clients. It seeks to exercise all of its voting entitlements and to vote at each available opportunity, including at Annual General Meetings and other company meetings. Our voting entitlement consists of all voting shares held as Columbus Point does not engage in stock lending activities.

All incoming proxies are reviewed by the Firm's investment managers. We believe it is important to review every proxy, ensuring that we are aware of all the issues arising in ballots, and helping to us use the influence we have to impact the direction of the companies held in our portfolios.

Following analysis of the topics involved, including the company and third party recommendations, the investment managers will determine how they wish to vote. Voting recommendations, research and proxy-related services provided by Broadridge and Glass Lewis, will be considered by the investment managers as part of their decision-making. However, we do not automatically follow voting recommendations and may take a different view once we have considered all the issues.

In cases where Broadridge and/or Glass Lewis recommends a vote against management, we may consider it appropriate to contact the company directly to better understand the issues.

Absent any issue, Columbus Point generally votes in favour of routine corporate proposals put forward by management, with other proposals being voted as determined following assessment, unless we consider that it would be in the best interest of the client/s to vote against. We typically abstain or withhold votes if we are in the process of selling the stock at the time of the vote.

An annual summary of our voting activity, including the extent to which recommendations made by our proxy voting and voting advisory services (Broadridge and Glass Lewis) are followed, will be disclosed in this document.

Our investment strategy typically has low turnover and positions change infrequently. In order to protect the portfolio and investment performance, we choose to keep details of the stocks in the portfolios we manage confidential except where required by regulations; for this reason, we do not publicly disclose detailed voting records by investee company. Detailed voting records are, however, disclosed to clients, upon request.

For the calendar year 2019, we voted as follows for the Columbus Point Global Equity ICAV:

|  | <b>Number</b> |
|--|---------------|
| Proxies received                               | 26            |
| Proxies voted                                  | 26            |
| Total issues for all proxies received          | 333           |
| Issues voted against management recommendation | 41            |
| Abstentions/withheld votes                     | 1             |

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### **Principle 7 - Institutional investors should report periodically on their stewardship and voting activities**

Detailed information on how we vote on all issues is disclosed to clients on request, including, where requested, the reasons we chose not to follow voting recommendations. Such information reported, its frequency and format will be as agreed between Columbus Point and the respective client.

An annual summary of our voting activity will be reported in this document. Clients will be provided with detailed voting records relating to their investment, upon request.

An annual, independent opinion on Columbus Point's engagement and voting processes pursuant to an internationally recognised assurance standard is to be obtained. When produced, such a report will be provided to clients, upon request.