

# UK STEWARDSHIP CODE

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## THE UK STEWARDSHIP CODE 2020

The Financial Reporting Council (FRC) are an independent regulator who publish and oversee the UK Stewardship Code (the Code) which took effect from 1 January 2020 and has significant and progressive amendments to the 2012 version. The Code defines high standards for those investing money on behalf of UK clients. The new Code outlines stewardship as “the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.”

The Financial Conduct Authority (FCA) Handbook (COBS 2.2.3) requires asset managers to disclose the nature of their commitment to the Code or where they do not commit to the Code, their alternative investment strategy.

London and Capital (L&C) Group is comprised of three subsidiaries; London and Capital Asset Management (LCAM), London and Capital Wealth Advisers (LCWA) and London and Capital Wealth Management Europe (LCE). L&C is a discretionary investment manager, and its core business is to manage money for Retail and Professional clients, the activities for which are outside of the code, in addition to managing assets on behalf of Institutional clients which is in scope of the Code. Although this Code pertains to our regulated UK activity, all our work across jurisdictions is performed in the spirit of the Code.

L&C has a duty to act in the best long-term interests of its clients and observe proper standards of market conduct and is committed to achieving this. We recognise, however, that due to the nature of our business, it is not always feasible to comply with the Code therefore whilst L&C supports the twelve principles embodied in the Code (see details below), there are areas where it does not comply with the code. Therefore, the firm has taken the decision not to commit to the principles of the code. L&C's alternative investment strategy is global and has exposure to asset classes other than UK equities.

## PRINCIPLE 1 - PURPOSE, STRATEGY AND CULTURE

L&C has two solo regulated entities, London and Capital Asset Management (FCA regulated) and London and Capital Wealth Management Europe (CNMV regulated). As well as one dual regulated entity, London and Capital Wealth Advisers (FCA and SEC regulated). L&C Group is a discretionary investment manager, specialising in managing assets for Retail, Professional and Institutional clients.

All L&C staff are expected to embrace and demonstrate our core values of Integrity, Partnership, Excellence and Family. The values are widely communicated and are recognised in awards and achievements internally. Our value statements:

### INTEGRITY

We have the courage to be authentic, honest and transparent.

**Attributes:** Trust, honesty, openness, courage, authenticity, conscientiousness, not afraid of failure.

### PARTNERSHIP

Clients come first, we see it as a long-term partnership founded on trust.

**Attributes:** Long term relationships, go the extra mile, personal, solutions and outcome orientated, tailored, can-do-attitude, passionate, accessible, safe.

### EXCELLENCE:

We deliver a personal and expert service, daring to be different if need be.

**Attributes:** High standards, resourcefulness, determination, cheerfulness, resilience, learning,



happy to do things differently, good judgment, inquisitiveness, Intelligence, professional, expert, enterprising.

#### **FAMILY:**

We treat each other and our clients with care, respect and humility.

**Attributes:** Respect, tolerance, patience, forgiveness, gratitude, selflessness, care, approachable, diverse.

#### **PRINCIPLE 2 - GOVERNANCE, RESOURCES AND INCENTIVES**

Extensive quantitative screening assessments are made at the initial investment phase as well as on an on-going basis to identify any financial and non-financial issues that may impact the performance of the company or the company's risk profile. Capital structure is a crucial part of our investment process and we only invest in corporates that pass our internal criteria. We utilise a custom-built screening process that quantifies Environmental, Social and Governance (ESG) practices and apply a qualitative assessment from our internal based scoring system.

#### **PRINCIPLE 3 - CONFLICTS OF INTEREST**

We acknowledge that our engagement and voting may result in conflicts of interest. L&C is committed to identifying, monitoring and managing all actual and potential conflicts of interest. We have an established policy and procedure to identify and manage such conflicts.

#### **PRINCIPLE 4 - PROMOTING WELL-FUNCTIONING MARKETS**

We fully encourage and support well-functioning markets. L&Cs entities do not have direct market access rather utilise brokers for best execution purposes. By using multiple brokers, we do not favour or have an affiliate entity within the group reducing the risk of client detriment should one broker fail. Risks specific to L&C are managed within the ICAAP document for 2021, in addition L&C does not proprietary trade their own assets which removes certain risks other firms may be subject to.

#### **PRINCIPLE 5 - REVIEW AND ASSURANCE**

Whilst L&C is not a signatory of the Stewardship code, there is a review process to monitor the decisions made and votes placed on behalf of their clients.

#### **PRINCIPLE 6 - CLIENT AND BENEFICIARY NEEDS**

L&C will disclose on request an overview of its client base and assets under management. This will include its total assets under management, including the breakdown between Retail (private), Professional and Institutional clients, the number of clients, the average client size and reporting currency split.

We always inform clients of the investment time horizon that we consider appropriate to deliver client outcomes and how they relate to ESG. L&C will work with clients to ensure there is a common understanding of their investment objectives, constraints and views regarding effective investment stewardship. We will communicate our approach to stewardship and investing, and how they are aligned to the clients' investment horizon objectives.

L&C will report to clients portfolio holdings and investment performance on a mutually agreed and suitable frequency,. We will evaluate performance versus stated objectives and benchmarks over short and longer-term periods. As well as outline to clients how their portfolio is constructed to achieve their long-term objective, but also how their views on stewardship, ESG preferences where stated and other unique requirements have been incorporated into investment decisions. Finally, L&C highlight and report where a portfolio has departed from the agreed investment policies and stewardship commitments.



**PRINCIPLE 7 - STEWARDSHIP, INVESTMENT AND ESG INTEGRATION**

L&C will communicate how the quantitative and qualitative analysis in our investment processes (equity, fixed income, alternatives) and asset allocation are designed to achieve objectives. We will explain how certain investment characteristics are prioritised and how information gathered in our initial and ongoing due diligence informs investment selection, tracking and exiting decisions. Where a client has ESG issues of importance to them we will disclose how they have been integrated into investment decision making.

**PRINCIPLE 8 - MONITORING MANAGERS AND SERVICE PROVIDERS**

When using external providers for investment management, research or data services, L&C will routinely monitor the quality of these services and their value for money. For example, robust due diligence will be carried out on third party fund managers before investing - the people, process and performance of external managers will be tracked and the delivery of their service as agreed will be routinely evaluated, including their stewardship and ESG responsibilities. If service providers consistently underperform expectations despite being advised of issues, L&C will take the appropriate action to protect our clients' best long-term interest.

**PRINCIPLE 9 - ENGAGEMENT**

We engage with issuers and management teams through meetings and calls. Engagement is prioritised on:

- When further understanding is required or;
- When a corporate is not delivering operationally or falling short in terms of governance

We have developed well-informed and precise objectives for engagement, derived from the structured research process which aims to identify potential areas of shortcoming. The predominate method of engagement is from arranged meetings or calls with management. Our focus is mainly on developed market investments which means most corporates provide access to management for discussion on governance and stewardship related issues. It is common practise for L&C to meet the chair or other board members.

In terms of raising concerns this is generally channelled via direct communication and if our Investment Desk are still unsatisfied with the outcome our general investment policy is to dispose of the holding.

Engagement has been used to monitor companies, for example, once an issue is identified and communicated then if we are unhappy with the outcome and feel a lack of progress is being made we will no longer choose to hold the investment.

**PRINCIPLE 10 - COLLABORATION**

We do not and have not participated in this activity.

**PRINCIPLE 11 - ESCALATION**

This is not part of our investment process as we sell the holdings and move on.



**PRINCIPLE 12 - EXERCISING RIGHTS AND RESPONSIBILITIES**

We actively vote in Annual General Meetings (AGM) and elect on corporate actions to ensure the best possible outcome for our investors. It is the portfolio managers' responsibility to ensure corporate actions are acted on in a timely manner and all voting matters are actively reviewed and voted by the Investment Desk. The voting policy is performed by the Investment Desk which use quantitative and qualitative approaches to assess if companies are engaged in best practise. Default recommendations are used if the qualitative and quantitative assessment shows no issues in terms of strategy and governance. For corporate actions clients will be consulted directly to ensure they are happy with the election. Regarding AGM voting, clients are welcome to express a view which will be considered. In terms of allowing clients to direct voting in segregated and pooled accounts, the policy is that the client will be consulted, when deemed appropriate, and can vote or elect in any way they see fit.

Monitoring shares and voting rights is carried out via a Proxy Voting System and Custodian Alerts.

