

UNITED KINGDOM STEWARDSHIP CODE

SUMMARY: This document represents Seilern Investment Management Ltd's (SIM) adherence to the UK Stewardship Code

OWNERS: The Chief Investment Officer and the investment team
The Board of Directors

Effective date: 2nd November 2015

Status: Live

Approved by: The SIM board of directors on

VERSION	DATE APPROVED	REVIEWED BY	CHANGES
v.2015.01	2.11.2015	Compliance	Correction and re-draft of the 2012 version
V. 2016	29 th January 2016	Compl. & BoD	Annual review of compliance policies
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CONTENTS

1. Overview
2. Seilern Investment Management Ltd and the UK Stewardship Code
3. Comply or explain
4. The Principles of the Code

1. OVERVIEW

The Stewardship Code (the Code) is a set of Principles or guidelines released by the Financial Reporting Council (FRC) and directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make institutional investors, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries (the shareholders).

The Code applies to "firms who manage assets on behalf of institutional shareholders such as pension funds, insurance companies, investment trusts and other collective investment vehicles". This means fund managers, but the Code also "strongly encourages" institutional investors to disclose their own level of compliance with the Code's Principles.

The Code adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means, it does not require compliance with principles. But if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so, on their websites. The information is also sent to the Financial Reporting Council, which links to the information provided to it.

The Code is overseen and published by the FRC, the independent regulator overseeing financial reporting, accounting and auditing and corporate governance. The Code, first published in 2010 (and revised in September 2012), sets the benchmark in the UK for institutional investors to meet ownership obligations in respect of their holdings of UK equities.

2. SEILERN INVESTMENT MANAGEMENT LTD AND THE UK STEWARDSHIP CODE

SIM regards stewardship as integral to its investment process. Good stewardship is important to understanding the sustainable value of the companies in which SIM holds equity on behalf of its clients and provides a standard of behaviour that encourages the protection of the assets of its clients. The Code sets out good practice for dealing with investee companies and where parts of the Code might not be relevant due to proportionality, SIM applies the Code on a 'comply or explain' basis. SIM's statement on the Code is made in compliance with the requirements of COBS 2.2.3R of the Financial Conduct Authority (FCA) Handbook. SIM does not outsource any activities associated with the Code to external service providers. SIM complies with the Code in the UK. Taking account of local practice and law, the Code also sets a standard for stewardship and engagement for SIM's non-UK equity investments.

3. COMPLY or EXPLAIN

- A. As with the UK Corporate Governance Code, the Code should be applied on a "comply or explain" basis.
- B. The Code is not a rigid set of rules. It consists of Principles and guidance. The Principles are the core of the Code and the way in which they are applied should be the central question for the institutional investor as it determines how to operate according to the Code. The guidance recommends how the Principle might be applied.
- C. Those signatories that choose not to comply with one of the Principles, or not to follow the guidance, should deliver meaningful explanations that enable the reader to understand their approach to stewardship. In providing an explanation, the signatory should aim to illustrate how its actual practices contribute to good stewardship and promote the delivery of the institution's or its clients' investment objectives. They should provide a clear rationale for their approach.
- D. The FCA requires any firm authorised to manage funds, which is not a venture capital firm, and which manages investments for professional clients that are not natural persons, to disclose "the nature of its commitment" to the Code or "where it does not commit to the Code, its alternative investment strategy".
- E. The FRC recognises that not all parts of the Code are relevant to all signatories. For example, smaller institutions may judge that some of its Principles and guidance are disproportionate in their case. In these circumstances, they should take advantage of the "comply or explain" approach and set out why this is the case.
- F. In their responses to explanations, clients and beneficiaries should pay due regard to the signatory's individual circumstances and bear in mind in particular the size and complexity of the signatory, the nature of the risks and challenges it faces, and the investment objectives of the signatory or its clients.
- G. Whilst clients and beneficiaries have every right to challenge a signatory's explanations if they are unconvincing, they should not evaluate explanations in a mechanistic way. Departures from the Code should not be automatically treated as breaches. A signatory's clients and beneficiaries

should be careful to respond to the statements from the signatory in a manner that supports the “comply or explain” process and bears in mind the purpose of good stewardship. They should put their views to the signatory and both parties should be prepared to discuss the position.

4. THE PRINCIPLES OF THE CODE

Principle 1

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

Guidance

Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on those matters as well as on issues that are the immediate subject of votes at general meetings.

The policy should disclose how the institutional investor applies stewardship with the aim of enhancing and protecting the value for the ultimate beneficiary or client.

The statement should reflect the institutional investor’s activities within the investment chain, as well as the responsibilities that arise from those activities. In particular, the stewardship responsibilities of those whose primary activities are related to asset ownership may be different from those whose primary activities are related to asset management or other investment-related services.

Where activities are outsourced, the statement should explain how this is compatible with the proper exercise of the institutional investor’s stewardship responsibilities and what steps the investor has taken to ensure that they are carried out in a manner consistent with the approach to stewardship set out in the statement.

The disclosure should describe arrangements for integrating stewardship within the wider investment process.

Our Policy

These Principles are embedded in the Investment Philosophy of SIM which is detailed on SIM’s website (www.seilerninvest.com). The Philosophy is based on the conviction that above average returns can be achieved through long-term investment in high quality companies and that risk is removed through detailed proprietary analysis. This detailed analysis includes active dialogue with the Management of investee companies in order to understand strategy and risk. Engagement and actively voting the shares we manage on behalf of clients is therefore seen as integral to our investment process.

Intervention would most likely be triggered by issues material to the value of the investee company's shares and would start with increased dialogue with the company, at the highest level of management possible, in order to understand the company's position and obtain answers to investment concerns.

Although equity holdings in UK listed companies do not represent a significant proportion of asset allocation, where SIM does manage such holdings, it has adopted a policy that all investee companies will be monitored by the Chief Investment Officer (CIO) and members of the investment management team through the initiation, wherever possible, of an ongoing open communication with the management of investee companies. SIM's intention will be to undertake such communications through, wherever possible, regular meetings and updates, detailed analyses of an investee company's corporate governance, strategy, performance, attitudes towards risk, capital structures and financial statements, analyses of third party brokers' investment research and any market available information together with any 'in-house' investment research and analysis that might be undertaken by a member of the investment management team.

All investment decisions are undertaken by SIM's investment management team, and any proxy voting decisions by the Investment Committee. All decisions are made on a case by case basis and in compliance with any specific client requirements after considering the client's mandate, the investment objectives and restrictions and our duties and responsibilities as set out in either the investment management agreements or in the scheme particulars. SIM does not pursue an active policy on voting rights. However, in circumstances where SIM is required to, it will take all reasonable measures to ensure that any proxy votes (on behalf of one of its client mandates) taken are always in the best interest of its clients.

As outlined above, SIM's Policy document is published on its website so that investors and investee companies are aware of the way in which SIM engages with companies and how it will integrate stewardship activities into its investment process.

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.

Guidance

An institutional investor's duty is to act in the interests of its clients and/or beneficiaries.

Conflicts of interest will inevitably arise from time to time, which may include when voting on matters affecting a parent company or client.

Institutional investors should put in place, maintain and publicly disclose a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of their client or beneficiary first. The policy should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.

Our Policy

SIM has established and maintains compliance and systems and control arrangements, which includes a Conflicts of Interest policy. SIM always acts in the best interest of its clients and with the highest standards of corporate governance. SIM is aware that conflicts might develop in the conduct of its investment business and actively seeks to manage any conflicts that have been identified fairly, both between SIM and its clients and between a client and another client. SIM reviews the specific issues relevant to its business on a case by case basis and tailors its conflicts management policies accordingly. SIM's arrangements are subject to monitoring and testing by both internal and external parties, independent to the conduct of its investment business.

SIM will always seek to disclose an actual or potential conflict of interest as a method of its conflicts management and mitigation of the risks. But this will only be undertaken on the basis that such action will prevent the risk of damage to our clients' and investors' interests. SIM will endeavour to ensure that its management of conflicts remains a high priority.

SIM's arrangements ensure that it is the responsibility of all members of staff to effectively manage conflicts and to prevent the possibility of market abuse being committed or facilitated and thereby ensure that proper market and business standards are maintained.

SIM's Policy is set out on its website (see www.seilerninvest.com) under 'Disclosures'. Where there is a conflict of interest between a client and an investee company, for example voting on matters affecting a parent company or client, SIM will (a) obtain approval from the client, or (b) obtain approval, with written justification, from the Head of Investment, prior to voting on that matter.

Principle 3

Institutional investors should monitor their investee companies

Guidance

Effective monitoring is an essential component of stewardship. It should take place regularly and be checked periodically for effectiveness.

When monitoring companies, institutional investors should seek to:

- A. keep abreast of the company's performance;
- B. keep abreast of developments, both internal and external to the company, that drive the company's value and risks;
- C. satisfy themselves that the company's leadership is effective;
- D. satisfy themselves that the company's board and committees adhere to the spirit of the

- UK Corporate Governance Code, including through meetings with the chairman and other board members;
- E. consider the quality of the company's reporting; and
 - F. attend the General Meetings of companies in which they have a major holding, where appropriate and practicable.

Institutional investors should consider carefully explanations given for departure from the UK Corporate Governance Code and make reasoned judgements in each case. They should give a timely explanation to the company, in writing where appropriate, and be prepared to enter a dialogue if they do not accept the company's position.

Institutional investors should endeavour to identify at an early stage issues that may result in a significant loss in investment value. If they have concerns, they should seek to ensure that the appropriate members of the investee company's board or management are made aware.

Institutional investors may or may not wish to be made insiders. An institutional investor who may be willing to become an insider should indicate in its stewardship statement the willingness to do so, and the mechanism by which this could be done.

Institutional investors will expect investee companies and their advisers to ensure that information that could affect their ability to deal in the shares of the company concerned is not conveyed to them without their prior agreement.

Our Policy

All monitoring is undertaken on a case by case basis and to ensure that the investee company in question is in compliance with any specific client requirements set out in the client's mandate, the investment objectives and restrictions and SIM's duties and responsibilities as determined in either the Investment Management Agreements (IMAs) or in the Scheme Particulars; and to protect any investment value for the client. Monitoring might include, but will not be limited to, detailed analyses of an investee company's financial statements, analyses of third party brokers' investment research and any market available information together with any 'in-house' investment research and analysis that might be undertaken by a member of the investment team.

Additional monitoring might include the determination of an investee company's governance structures and to ensure its compliance with the UK Corporate Governance Code. Normally, this would entail an open dialogue and or meetings between SIM and an investee company's senior management (both executive and non-executive). If SIM has a material concern over an investee company's management and or governance, it will always endeavour to raise its concerns with the management and seek effective mitigating actions before seeking to divest the client's interests. Records of all meetings held with investee companies are kept by SIM. As outlined in Principle 1, SIM does not pursue an active policy on voting rights.

SIM maintains effective arrangements to cover market abuse and the potential misuse of inside information. SIM adopts the Policy to endeavour to avoid the situation whereby it would be made an insider. SIM's policy is to always ensure that inside information is not communicated by any investee company to any member of the investment management team without its prior agreement.

SIM's Investment Philosophy is based upon the conviction that detailed proprietary analysis and continuous monitoring of companies is required in order to drive out risk. This analysis is done in-house as part of a highly structured research program.

For a company to become a core holding in our clients' portfolios, its business will be subjected to intensive investigation. This will concentrate on the company's management, financial standing and corporate strategy in order to establish its clear potential for successful development over the long term. Only after this scrutiny will a company appear on SIM's list of investment prospects.

SIM has a watch list of approximately 150 companies worldwide, analyse 50-60 of these companies intensively and invest clients' money in approximately 17-25 of the analysed companies. SIM's investment team visit the selected companies, maintain contact with their management and place emphasis on talking to their customers, competitors and suppliers. This enables SIM to build up an all-round, objective picture of the company's potential.

A company that is considered for inclusion in the portfolios will be recommended by a member of the investment team. The prospective company will fulfill SIM's criteria for growth (ideally 10% plus), return on equity (ideally greater than 15%), financial strength (debt / free cash flow < 5 years), predictability (sustainable competitive advantage, business diversification) and be in an industry that the investment team are capable of evaluating. Ideally, it will also be managed by owner oriented management and be available at a reasonable price. Unless all members of the investment team are comfortable with the business or management, the idea will not proceed to inclusion in either the watch list and/or in the portfolios.

Detailed examination of the annual reports, 10Ks, proxy statements, the industry and its competitors will result in the investment team drawing up a five year forecast of the income statement, balance sheet and cash flow statements. The investment team will also recommend valuation assumptions for the business. If the business survives this examination, contact with management is made and a final decision will be made whether to include the business in SIM's investable universe. SIM's comprehensive, proprietary research establishes the prospective earnings for each company over the next five years. These estimates are used to determine, systematically, on a daily basis, whether a company's shares are cheap, expensive or fair value. Regardless of its exceptional quality, an investment in a company will only be made when the opportunity to buy at a sensible price presents itself.

After an investment is made there will be regular contact with the company management involving calls and one to one meetings. SIM endeavours to identify problems at an early stage to minimise loss of shareholder value.

Principle 4

Institutional Investors should establish clear guidelines on when and how they will escalate their activities

Guidance

Institutional investors should set out the circumstances in which they will actively intervene and regularly assess the outcomes of doing so. Intervention should be considered regardless of whether an active or passive investment policy is followed. In addition, being underweight is not, of itself, a reason for not intervening. Instances when institutional investors may want to intervene include, but are not limited to, when they have concerns about the company's strategy, performance, governance, remuneration or approach to risks, including those that may arise from social and environmental matters.

Initial discussions should take place on a confidential basis. However, if companies do not respond constructively when institutional investors intervene, then institutional investors should consider whether to escalate their action, for example, by:

- A. holding additional meetings with management specifically to discuss concerns;
- B. expressing concerns through the company's advisers;
- C. meeting with the chairman or other board members;
- D. intervening jointly with other institutions on particular issues;
- E. making a public statement in advance of General Meetings;
- F. submitting resolutions and speaking at General Meetings; and
- G. requisitioning a General Meeting, in some cases proposing to change board membership.

Our Policy

At times collaboration with other investors may be the most effective manner in which to engage. This may be most appropriate at times of severe corporate stress and could involve sharing views and ideas with other institutions or meeting companies jointly with other shareholders. SIM is open to such collaboration and would encourage interested investors to contact either our Chief Executive Officer (CEO) or our CIO.

SIM will only escalate their activities with investee companies as a method of protecting and enhancing shareholder value after careful consideration and analysis of mismanagement or failings in corporate governance of an investee company. All meetings by any member of SIM with the senior management of an investee company will always be undertaken on a confidential basis and in accordance with the applicable statutes in the relevant jurisdiction. In circumstances where SIM's expectations differ from those of the management of the investee company, which could result in actions being taken to the detriment of its clients' returns on their investment, SIM will seek to escalate its involvement. Escalation could result in, but not be limited to, additional meetings with senior management (both executive and independent) specifically to discuss either performance or governance issues; where applicable, meetings with the investee company's corporate advisers; collaborative action with other investment institutions; and active participation at an Annual General Meeting (AGM) or an Extraordinary General Meeting (EGM) through proposing specific resolutions.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

Guidance

At times collaboration with other investors may be the most effective manner in which to engage.

Collective engagement may be most appropriate at times of significant corporate or wider economic stress, or when the risks posed threaten to destroy significant value.

Institutional investors should disclose their policy on collective engagement, which should indicate their readiness to work with other investors through formal and informal groups when this is necessary to achieve their objectives and ensure companies are aware of concerns. The disclosure should also indicate the kinds of circumstances in which the institutional investor would consider participating in collective engagement.

Our Policy

When appropriate and only as part of SIM's escalation of an issue and acting in the best interests of its clients, would SIM consider collaborative action with other investors. Such action and decisions would be taken on a case by case basis and made only after taking into consideration any conflicts of interest, market abuse issues relating to price sensitive information and the requirements under the FCA's treating customers fairly tenets. SIM is open to such collaboration and would request that all interested investors to contact our CEO and/or our CIO.

Principle 6

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

Guidance

Institutional investors should seek to vote all shares held. They should not automatically support the board.

If they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution. In both instances, it is good practice to inform the company in advance of their intention and the reasons why.

Institutional investors should disclose publicly voting records.

Institutional investors should disclose the use made, if any, of proxy voting or other voting advisory services. They should describe the scope of such services, identify the providers and disclose the extent to which they follow, rely upon or use recommendations made by such services.

Institutional investors should disclose their approach to stock lending and recalling lent stock.

Our Policy

SIM's policy on proxy voting is clearly set out under Principle 1. All decisions taken will be made in the best interests of SIM's clients, and will be executed by SIM only after exhausting all opportunities to engage with the investee company in open dialogue. If an outcome cannot be reached then SIM will either seek to abstain or vote against the investee company. In all circumstances, SIM will notify the investee company in writing of its intentions and provide its reasons.

Voting is undertaken by the member of the investment team that is responsible for the investment analysis of the specific investee company. Voting is authorised by SIM's CEO and CIO and is completed via a system called Proxy Edge. It is SM's Policy to vote on all important matters where possible.

SIM has not adopted a policy of automatically supporting the management of any investee company nor does it intend to actively seek to influence an investee company's governance.

SIM's general Policy, is that the management of investee companies should be supported, however, where proposals are not in the interests of SIM's clients and the company's shareholders, SIM would consider voting against such proposals. The decision to vote against or abstain only occurs following discussion amongst the investment team and if possible with the investee company. The voter may abstain where mitigating circumstances apply, for example where a company has taken initial steps to address shareholder issues.

SIM does not intend to publicly disclose its voting records unless instructed to by its clients. Disclosure of the voting records will be made public on request and after written agreement by a client. SIM will always vote in a responsible manner and in accordance with its fiduciary duties to its clients

SIM does not lend stock.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities

Guidance

Institutional investors should maintain a clear record of their stewardship activities.

Asset managers should regularly account to their clients or beneficiaries as to how they have discharged their responsibilities. Such reports will be likely to comprise qualitative as well as quantitative information. The particular information reported and the format used, should be a matter for agreement between agents and their principals.

Asset owners should report at least annually to those to whom they are accountable on their stewardship policy and its execution.

Transparency is an important feature of effective stewardship. Institutional investors should not, however, be expected to make disclosures that might be counterproductive. Confidentiality in specific situations may well be crucial to achieving a positive outcome.

Asset managers that sign up to this Code should obtain an independent opinion on their engagement and voting processes having regard to an international standard or a UK framework such as AAF01/062. The existence of such assurance reporting should be publicly disclosed. If requested, clients should be provided access to such assurance reports.

Our Policy

SIM provides reports to its clients on a periodic basis and in accordance with its regulatory reporting requirements and its obligations under the client's mandate, the investment objectives and restrictions and our duties and responsibilities as set out in either the IMAs or in the scheme particulars. The content of such reports will include, where applicable to the specific client's requirements, full disclosure of its stewardship and voting actions and in the best interest of its clients.

Seilern Investment Management does not consider it necessary to seek an independent opinion of its engagement and voting processes (because as outlined above, SIM provides reports to its clients and to the board of directors of the funds managed).

As outlined in Principle 6, SIM does not publicly disclose its voting records as it deems this to be confidential information and the property of the investment client. Disclosure of the voting records will be made public on request and after written agreement by the client.

For further information please contact Jean-Michel Boehm, Chief Executive Officer, and/or Raphael Pitoun, Chief Investment Officer, Seilern Investment Management Limited.