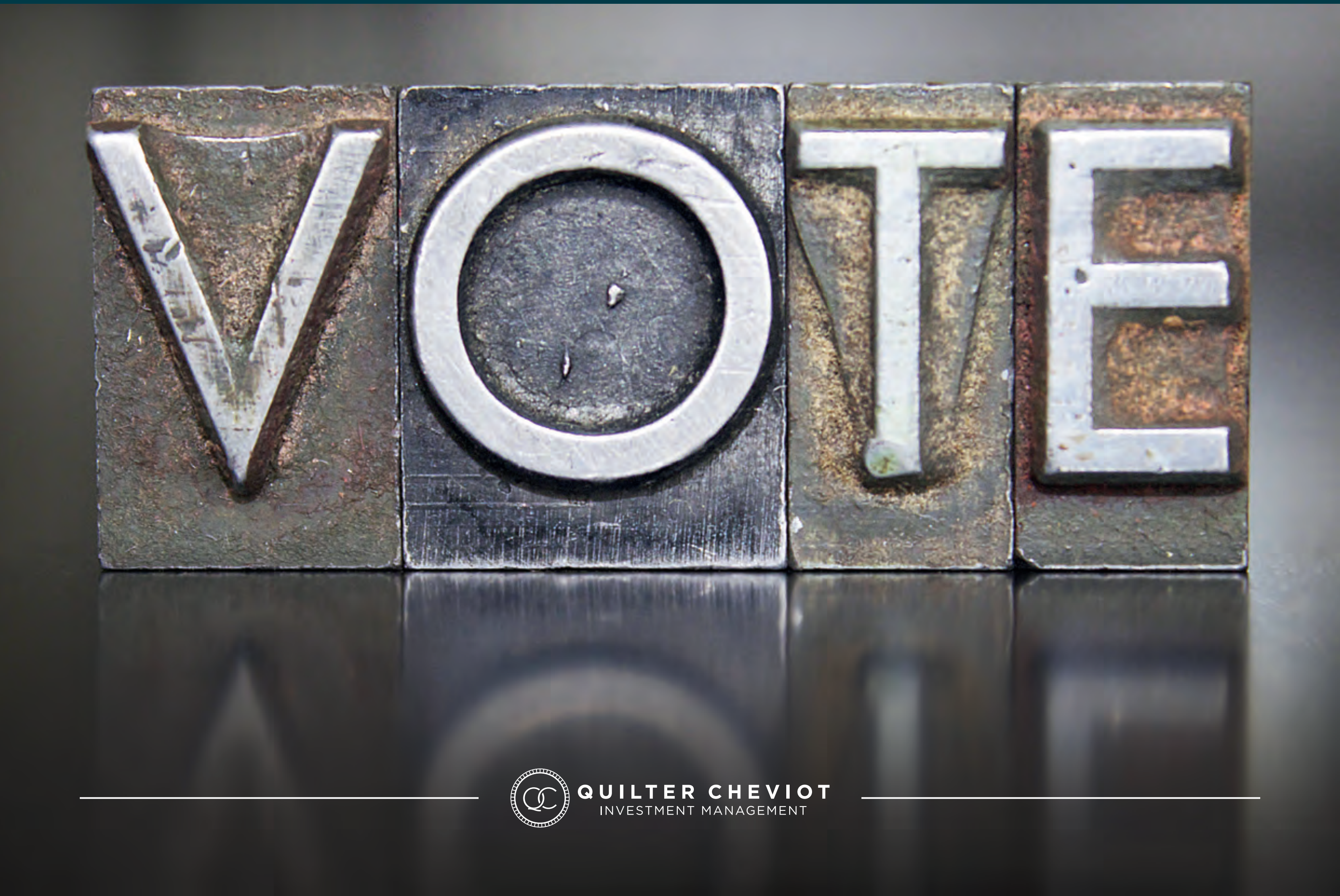
OUR VOTING PRINCIPLES

Introduction

Our priority is to vote our core UK equity and investment trust holdings as this represents a significant proportion of our assets under management. We will consider voting outside of the centrally monitored universe if a material issue arises, however we will not vote if doing so prevents us from trading (i.e. in jurisdictions where stock-blocking takes place) or the costs are prohibitive.

Initially we focussed our voting on the UK 50 equity and investment trust monitored lists; the components of these lists evolve over time. In order to ensure that we act on a consistent basis we do not remove a holding from the voting universe just because it is no longer on the list. The rationale being that 1) when we engage with companies we do so for the long-term and 2) the holding often continues to represent a significant proportion of our clients' assets under management.

We may consider expanding our voting activity beyond this universe in future. We use a third party voting service provider to facilitate this process and will produce a summary of voting activity on a quarterly basis.



Voting principles

In determining our voting principles we take the following best practice Codes and Guidelines into account:

- UK Corporate Governance Code
- Association of Investment Companies' (AIC) Code
- Pension & Lifetime Savings Association[1] (PLSA) Corporate Governance Policy and Voting Guidelines
- PLSA Corporate Governance Policy and Voting Guidelines for smaller companies

Voting decisions are a reflection of our investment thesis, and we have dedicated equity and fund research teams who meet with the companies we invest in on a regular basis; as well as monitoring them on an on-going basis. We will use the following principles to guide how we vote, although we may deviate from this on occasion, for example where there are non-standard arrangements within a company we will consider the efficacy of these before making a decision.

Equities and investment trusts

We have two teams of analysts: one which focuses on equities, and the other, collective vehicles. A significant proportion of our equity holdings are UK listed companies and therefore our voting is concentrated on our core monitored list of UK equities and investment trusts. However we may vote outside this universe where we have a material interest on behalf of our clients in a company, or there is a specific issue we wish to vote on, as voting is part of our investment thesis.

The following provides a guide to how we typically vote in relation to specific topics.

The board

The board is collectively responsible for the long-term success of the company. The board has to have sufficient independence as Non-Executive Directors (NEDs) should constructively challenge management and no one individual should have unfettered powers of decision making. In order to ensure that the composition of the board is appropriate there are a number of factors that we assess including:

Independence of the board

- The appointment of a former CEO as Chairman would be contentious, unless there was a reasoned rationale for this, likewise for the roles of Chairman and CEO not being separated
- The ratio of independent to non-independent NEDs and the composition of different committees (this will vary depending on whether the company is in the FTSE 350 or not)

Effectiveness of the board

- The information we receive ahead of the election of a new director; we expect this to be both timely and detailed regarding their experience and skills
- The number of roles and other commitments that a NED may have, in order to ensure that all NEDs have sufficient time to devote to the board
- When there is a contested election of directors we will make the assessment based on whether we believe change is required, and if so, whether we believe the dissident board nominees are likely catalysts for positive change

We will also take into consideration the Financial Reporting Council's consultation regarding the Code which recommends that NEDs (including chairmen) should have a maximum tenure of nine years.

[1]Formerly known as NAPF (National Association of Pension Funds)

Remuneration

Executive pay should be aligned to the long-term strategy of the company and returns to shareholders; with performance targets that are challenging but realistic. Therefore moving the goal posts in terms of the re-testing of performance conditions or the re-pricing of share options is not something we would usually support.

Increases in executive remuneration should be in line with those across the wider employee base; and we would expect that executives hold shares equivalent to a minimum of 200% of their base salary. Remuneration has become increasingly complicated; ultimately the decision as to whether to support the remuneration policy is linked to whether we believe the executives are adding value for shareholders over the long-term. To determine this we will consider a number of factors including:

- Whether the approach to fixed remuneration is appropriate and the performance criteria for all elements of variable pay are clearly in line with the company's strategic aims; additionally the award levels for the variable pay components are capped
- That there are clear explanations for maximum awards being given for the LTIP (Long-Term Incentive Plan) and bonus
- Contractual entitlements are reasonable and do not provide excessive payments in the event of termination
- We support the FRC proposal that shares granted or other types of long-term incentives should be subject to a vesting and holding period of at least five years

Auditor

The role and the appointment of the auditor are central to good corporate governance. The auditor must maintain independence; therefore the length of tenure and the ratio of audit to non-audit fees are issues which must be addressed clearly. Where they are not (and adequate explanation is not given) then we will consider voting against the chairman of the audit committee and/or voting against the auditor's remuneration.

Concerns regarding the auditor's procedures or a sudden (and unexplained) change in auditors will usually lead to us voting against the appointment of the auditor. Where there are concerns about the accounts or audit procedures, an accounting fraud, or a material misstatement in the year we will consider whether to approve the financial statements and statutory reports.

Capital structure

Changes to the capital structure may well impact shareholders' long-term interests if not considered carefully. Therefore whilst we are generally supportive of companies managing their capital effectively, consideration will be given to the following factors:

- New issuance: we are supportive of companies issuing new capital so long as it is not detrimental to existing shareholders, therefore we would expect the general issuance authority to not exceed one third of the issued share capital, or two thirds for a fully pre-emptive rights issue. For investment companies we support the AIC guidance (October 2017) regarding the issuance of new shares
- Pre-emption rights: when new shares are issued usually existing shareholders are given the opportunity to take these up (pre-emption rights), in order to avoid the dilution of existing shareholdings. Companies have the right to dis-apply these pre-emption rights, but we would expect this to be limited to 5% of the ordinary share capital in any one year
- Share buybacks: we will support share buybacks as long as they do not exceed more than 15% of issued ordinary share capital in any one year, and that the authority to do so is put before shareholders on a regular (usually annual) basis

Other issues

When considering other resolutions, we will evaluate what is in the best interest of shareholders and assess these issues on a company by company basis. Other resolutions may relate to a number of topics, including:

- Environmental and social issues
- A proposed change to the Articles of Association
- The pay-out ratio of dividends
- Mergers and acquisitions
- Related party transactions
- Reincorporation proposals
- Authority to call a general meeting with two weeks' notice
- Political donations and expenditure in the EU
- Takeover bids (we will usually vote against mandatory takeover bid waivers)

Smaller companies

Long-term shareholder returns remain our determinant in how we vote; however there are two key differences in the approach we take to smaller companies:

- We will generally support a smaller company to have the right to dis-apply pre-emption rights and the routine authority to do so should be limited to 10% of the ordinary share capital in any one year
- The ratio of independent to non-independent members on different committees

Investment trusts

The governance structure of an investment trust is slightly different to that of a listed company and as such the Association of Investment Companies' Code has adapted the UK Corporate Governance Code; these differences are reflected in our voting principles. Interaction with the board and our knowledge of the investment trust takes precedence; therefore this is again a principle based approach.

We support the AIC Code recommendations that the performance and contractual arrangements are reviewed annually by directors independent of the manager; and additionally that the board of an investment company is fully independent of the firm providing fund management services.

We will generally support continuation votes, however where a special meeting is called owing to discount mechanisms being triggered we will review this on a company specific basis.