



WAVERTON

INVESTMENT MANAGEMENT

The UK Stewardship Code

Introduction

The UK Stewardship Code was adopted by the Financial Reporting Council (FRC) in July 2010 and subsequently updated in September 2012. Its aim is to set out good practice for institutional investors when engaging primarily with the UK listed companies with which they invest.

The cornerstone of Waverton Investment Management is the discretionary management of investment portfolios for private individuals, related family interests and charities, via segregated portfolios or through specialist funds. Waverton Investment Management's approach is to strive for superior returns for our clients by investing in what we believe to be the best ideas worldwide, be that in individual stocks, funds, fixed interest or alternative asset classes. We have a dynamic investment style with capital preservation a central theme. This means that portfolios will only invest in companies and funds which meet our strict investment criteria and in the absence of compelling ideas our portfolios will retain high levels of liquidity.

Our overriding goal is to identify what we believe to be the most attractive companies worldwide, and individual investment decisions are based on selecting companies with above average growth and earnings prospects in our chosen sectors. We search for outstanding companies with enduring franchises, strong and motivated management, and the potential for above average operating results over time. A core list of stocks is monitored and reviewed on a regular basis. Waverton Investment Management's stewardship responsibilities include a procedure for Global Proxy Voting.

Companies with poor governance or a questionable moral or environmental track record can seldom be qualified as 'best in class', so at the core of Waverton Investment Management's stance on these issues is not to invest in companies which require reform or active policing by shareholders.

Waverton Investment Management takes its responsibilities as a shareholder seriously regardless of how small our proportionate impact might be.

Waverton Investment Management's adherence to The UK Stewardship Code:

In July 2010 the Financial Reporting Council issued a statement outlining seven principles which aim to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities the code was subsequently updated in September 2012. Waverton Investment Management's response to the Stewardship Code principles cover all asset classes in which we invest and how we apply them are set out below:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.

Waverton Investment Management recognises that we have a duty to act in the best, long term interest of our clients. We consider that this duty includes performing the stewardship role in a manner that enables Waverton to add value to clients as shareholders of companies. Our position in the investment chain means that we act on behalf of a number of retail, professional and institutional investors in our company engagement and in due course through the purchase or disposal of equity in a company or debt securities.

Waverton Investment Management undertakes the following broad areas of activity as:

- i) Our investment process includes analysis of the governance profiles of the companies in which we invest by our stock and sector specialists in order to identify outliers requiring further engagement. This is done through research, analysis and contact with the company at the initial stages of our research and post-investment.
- ii) Continued research of and engagement with investee companies, in order to understand issues and promote best practice; this is done through the portfolio managers and sector specialists engaging in regular meetings with the company and through third-party analysts. Topics where we would seek particular engagement are dependent on the type of company but include topics that we consider could affect shareholder value or are not aligned with creating shareholder value for example executive remuneration.
- iii) Assessment and monitoring of Social, Environmental and Governance issues using a specialist third-party data provider, where we believe they have the potential to impact the valuation.
- iv) Selective proxy voting where we feel there is an opportunity to enhance or protect shareholder value.

Where issues of significant concern are identified, these are escalated to the Head of Private Clients and where necessary to the Chief Executive Officer.

Ultimately, where levels of management engagement have been exhausted and we still believe that shareholder value is being threatened we will dispose of our shareholding in order to protect shareholder value.

2. Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Waverton Investment Management is aware that Stewardship activities may lead to conflicts of interest but will always aim to act in the best interest of its clients should such conflicts arise and when considering matters such as voting and company engagement.

Waverton Investment Management maintains a Conflicts of Interest policy. All staff undergo strict training and guidance on policies and procedures where conflicts of interest arise, such as gifts and hospitality as well as personal account dealing.

Conflicts of interest are mapped and categorised on a conflicts register with the relevant associated controls considered, implemented and periodically reviewed and tested. Where a particular client relationship raises a potential conflict this will be assessed by the Risk Committee and again any necessary controls put in place to ensure the conflict does not crystallise in a manner that unfairly benefits one client over another.

Where the interests of clients diverge action will as far as possible be taken which considers the individual circumstances of the clients' where Stewardship is concerned. Again this would be escalated to the Risk Committee to consider the appropriate response to the conflict.

Furthermore, Waverton Investment Management has established formal barriers (Chinese Walls) designed to restrict the flow of information between Waverton Investment Management's various back office divisions to Waverton Investment Management's investment professionals, as well as in order to maintain the integrity and independence of our decisions and engagement activity and avoid the spread of non-public information.

Where Waverton Investment Management investment on behalf of clients in in-house pooled vehicles, Waverton Investment Management has discretion to vote on the clients and will ensure this is in the clients' best interests. Currently transactions in shares of Waverton Investment Management or its parent company are not undertaken on behalf of discretionary managed clients.

Our Conflicts of Interest Policy can be found on our website and provides further details of our approach to managing conflicts of interest:

http://www.waverton.co.uk/assets/investment_funds/Conflicts%20of%20Interest%20Policy%202015.pdf

3. Monitor their investee companies.

Waverton Investment Management recognises that we have a duty to act in the best, long term interest of our clients. We seek disclosure on the materiality of the issues that affect the companies in which we invest and this is reflected in our investment approach.

Waverton Investment Management is engaged in active portfolio management and our fund managers are given the freedom to invest as they see fit, subject to the constraints set by each

fund or mandates investment objectives, all of which is subsequently monitored. Investee Company monitoring includes study of company statements and third party reports, an understanding of the issues to be discussed at public meetings, and attendance of those meetings where necessary and direct meetings with company management.

Where Waverton Investment Management deems it appropriate, we will enter into active dialogue with companies, being cognisant not to become insiders or into receipt of material non-public information which may preclude us from dealing in the shares of the company concerned, and this is made clear in meetings with companies.

Where a company deviates from the UK Corporate Governance Code (or equivalent overseas codes, where they exist), Waverton Investment Management will give due consideration to the explanation where it is given and make an assessment on a case by case basis determining the risks to shareholder value created by the nature of the deviation.

The explanation will be reviewed by our Head of Private Clients, Head of Legal and Compliance and CEO. If the explanation is deemed unsatisfactory then we will intervene and attempt to offer guidance to bring the company back on course. However if they still deviate from the Code then we will consider terminating the relationship and disposing of our holdings.

Where appropriate, Waverton Investment Management will attend key AGMs where we have a significant shareholding.

4. Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Where Waverton has identified concerns or issues with Investee companies these will in the first instance be discussed with our contact at the Investee Company. If required these concerns will be escalated through company management where we will request meetings with the most senior individuals at a company to raise our concerns.

In order to protect our clients' interests, where Waverton Investment Management has concerns about an issue with an investee company which cannot be resolved these will be escalated to executive management. Where appropriate, we will hold joint engagement meetings with other investors who share our concerns. In extremis, where we are able, we would consider submitting a shareholder resolution, or requisitioning an EGM in order to bring about change, or to protect our clients' interests.

The focus for such intervention is on companies where Waverton Investment Management has a meaningful shareholding as this is where we have the opportunity to create and preserve most shareholder value for our clients. However this does not mean we restrict our engagement purely to major holdings.

Whilst ultimately issues will be assessed on a case by case basis, areas where Waverton would look to intervene include:

- Where remuneration proposals are not in line with creating long term shareholder value
- Where a company's actions could trigger reputational risks which affect long term shareholder value

Escalation of concerns by Waverton Investment Management are recorded and kept on file to be made available to interested parties.

5. Be willing to act collectively with other investors where appropriate.

In the first instance Waverton Investment Management would engage directly with the companies in which it is invested. Subject to applicable laws and regulations in the relevant jurisdictions, Waverton Investment Management would seek to work with other investors through formal or informal groups in collective engagement exercises with companies where appropriate, in order to enhance the effectiveness of our engagement and obtain the best result for our clients.

Where Waverton Investment Management acts collectively, we pay due regard to and consider issues that may give rise to conflicts of interest as well as the potential to become insiders to non-public matters. The circumstances in which collective engagement may be considered are where Waverton Investment Management has concerns in relation to a company in which we invest, and such concerns are shared by other investors thus enhancing the potential effectiveness.

In addition Waverton is a member of the Wealth Management Association and engages on various sector wide topics collectively through this forum.

Investors interested in collective engagement should contact in the first instance the compliance team via: compliance@waverton.co.uk.

6. Have a clear policy on voting and disclosure of voting activity.

Waverton votes selectively where we feel we are able to make a difference and where the issue is material enough for Waverton to believe it will affect long term shareholder value. Waverton would not simply always support the Board of the Investee Company but seeks to ensure there is a material client outcome of not doing so. Waverton Investment Management will not forward to the Client any circulars, notices or proxy cards received in respect of investments comprised in the Portfolio.

Waverton Investment Management acts as a discretionary manager and will therefore be entitled at its discretion and without notice to the Client to procure or to refrain from procuring the exercise of voting and other rights and privileges attaching to the investments comprised in the Portfolio and to accede or refrain from acceding to any compromise or arrangement in relation to any scheme of arrangement or scheme for reconstruction or amalgamation involving any such investment.

Whilst the Stewardship Code guidance recommends voting all shares, Waverton have determined that this will not be appropriate in all cases primarily due to the size of the firm and likely impact of voting each share held.

Waverton Investment Management shall be entitled to procure the exercise of any voting rights attaching to the Portfolio's holding of Collective Investment Schemes or closed-ended investment funds operated or advised by Waverton Investment Management or an Associate (each a "Connected Fund"), and shall be entitled to count such holdings for the purposes of constituting a quorum at a general meeting of any Connected Fund. Waverton Investment Management shall act in the best interests of the Client in so voting.

Details of proxy voting records are available on request and include summary information of where we have abstained or voted against the Board of Investee Companies.

Waverton does not make use of voting advisory services. Waverton does not partake in stock lending.

7. Report periodically on their stewardship and voting activities.

Waverton Investment Management maintains detailed records of its stewardship and voting activities. Due to the nature of this information it is made available to clients and potential clients on request.

Waverton Investment Management obtains an annual independent opinion on stewardship engagement and voting processes and this has been undertaken within the last 12 months. Access to this assurance report is available on request.

Specific issues or further information should be directed to Christopher Rose, Waverton Investment Management's Head of Private Clients.