

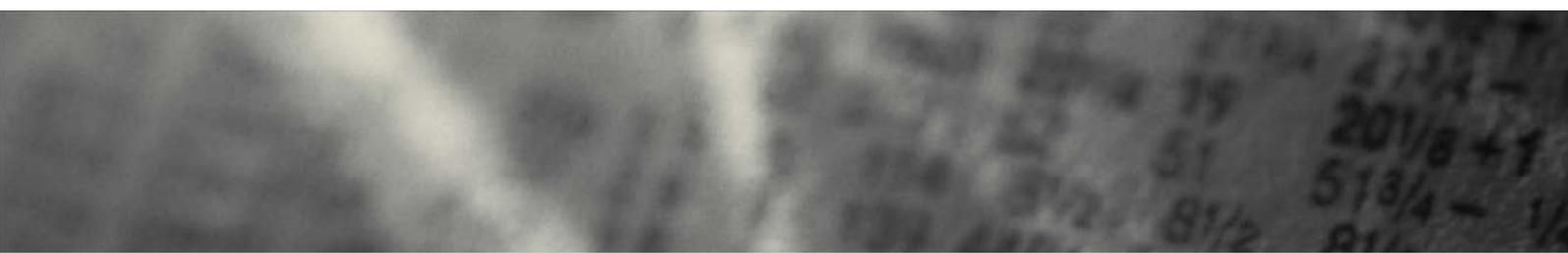
RIVER AND MERCANTILE  
ASSET MANAGEMENT

# River and Mercantile Asset Management LLP

## The UK Stewardship Code

FCA Firm Reference Number: 453087

September 2016



## The UK Stewardship Code

### Background

River and Mercantile Asset Management LLP (RAMAM) recognises and supports the background and principles set out in The UK Stewardship Code established by the Financial Reporting Council in July 2010 and updated in September 2012. RAMAM has established a Corporate Governance Voting and Engagement Policy which has evolved from our existing Environmental, Social and Governance Policy and Principles of Ownership papers that we published for the first time in 2008. We recognise that our responsibilities as an asset manager extend to having a clear commitment to engagement and long term active ownership and to developing the requisite understanding and experience necessary to achieve that. We have worked with a number of clients and other organisations to better understand best practice and how RAMAM can actively contribute and meet our responsibilities in an accountable and conscientious manner.

RAMAM is conscious that owning a company's shares on behalf of clients confers certain rights and responsibilities. At the same time, environmental, social and governance (ESG) issues, and the management thereof, are important to the sustainability of a business. For this reason, RAMAM considers ESG issues when analysing and reviewing a company, and this is incorporated as part of our investment processes. RAMAM is a specialist investment manager, a key part of our UK equity and global equity investment philosophy and processes is the requirement to assess the quality of company management, in particular, management attitudes to shareholder value. When combined with financial information, non-financial business information can provide valuable insight into the overall quality of management. Given that significant ESG issues play-out over the medium to longer term and that our clients are invested for the longer term, it is important that companies' approaches to ESG issues are considered on a case by case basis. Given that our clients establish investment objectives that are performance-driven, our overriding objective is to meet the targets set by our clients and maximise shareholder value. To the extent that ESG issues impact a company these factors are assessed in the fundamental analysis stage of our investment process and will influence as appropriate the decision to purchase or the relationship with the company.

RAMAM will review and if necessary amend its responses to complying with The UK Stewardship Code on an annual basis.

We have set out below our responses to the seven Principles set out in The UK Stewardship Code.

### Principle 1

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

In line with the Financial Conduct Authority (FCA) requirements we have made available our responses to The UK Stewardship Code through our website and the FRC website. The RAMAM Corporate Governance Voting and Engagement Policy, available upon request, sets out how we fulfill our broader stewardship responsibilities.

### 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.**

RAMAM acknowledges that conflicts of interest may arise in the context of our corporate governance and corporate responsibility work. For example, we may have serious concerns about a company whose pension scheme is a client. Actual and potential conflicts are managed in accordance with our conflicts of interest policy. The policy is reviewed not less than annually in order to ensure compliance with applicable legal and regulatory requirements.

### Principle 3

**Institutional investors should monitor their investee companies.**

RAMAM's fund managers and analysts maintain regular dialogue with companies. This dialogue allows us to monitor the development of companies' businesses, including areas such as overall strategy, business planning and delivery of objectives, capital structure, proposed acquisitions or disposals, corporate responsibility and corporate governance. In addition, we engage with other stakeholders to enhance our own views on company performance. Whilst we may attend company general meetings, our preference is for meeting one-on-one with companies.

Our investment teams are focused, so all company analysis is shared as a matter of course both verbally and on our IT platform. Frequent discussion takes place between analysts and fund managers where appropriate. We keep electronic records of all our engagement, voting and other corporate governance and corporate responsibility activities, including where appropriate the rationale for voting decisions.

Overall responsibility for monitoring company performance rests with our portfolio managers. Portfolio managers and analysts are charged with identifying relevant issues, which are fed into our investment debate, and may also form the basis for company engagement.

### 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.**

We take an active approach to communicating our views to companies and seeking improvements where we believe there are shortcomings in performance, or a company has failed to apply appropriate

standards, or to provide adequate disclosure. We will continue our dialogue with the company over an extended period if necessary. Escalation of our engagement activities will depend upon the company's individual circumstances. Actions may include communications through the company's brokers, direct engagement with the chairman or non-executive directors or joint intervention with other shareholders, and where appropriate, voting against board proposals.

#### Principle 5

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

We recognise that in many instances joint action by shareholders has the potential to be more effective than acting alone. This is especially so where shareholders have a clear common interest and at critical moments. Our policy is to pursue opportunities for collaborative engagement in such circumstances. In considering participation in collaborative engagement initiatives we take into account potential conflicts of interest, concert party rules and our policy on insider information.

#### Principle 6

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

We exercise voting rights on behalf of clients at meetings of all UK companies in which we have a holding. Outside of the UK we recognise that international corporate governance systems vary a great deal according to factors such as the legal system, the extent of shareholder rights and the level of dispersed ownership. In formulating our approach to corporate governance we are conscious that a 'one size fits all' policy is not appropriate. We therefore seek to vary our voting and engagement activities according to the market, and pay close attention to local market codes of best practice.

Notwithstanding these differences, we consider that certain core principles of corporate governance apply across all markets, and we seek to apply these in our voting policies. Where we have taken a decision not to support a management proposal we will, where practicable, seek to raise the issues with the company prior to voting. RAMAM does not engage in stock lending.

#### Principle 7

**Institutional investors should report periodically on their stewardship and voting activities.**

RAMAM publishes details of our voting activity on our website and details surrounding voting activity are available to clients on request.

RAMAM outsources proxy voting to Institutional Shareholder Services Inc. who provides both voting and engagement services to institutional shareowners.