RIVER AND MERCANTILE
ASSET MANAGEMENT

River and Mercantile Asset Management LLP

The UK Stewardship Code Statement

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The UK Stewardship Code Statement - version control and updates

Amendment Number	Date of Change	Summary of change	Reference
1	30th April 2017	First version	
2	31st October 2018	Annual update	
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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, as well as the code on the responsibilities of institutional investors drawn up by the Institutional Shareholders' Committee. 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. In following our Voting Policy and through engagement with companies our medium to long-term intention is to increase shareholder value.

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 integral to the sustainability of a business. For this reason, as part of our investment beliefs RAMAM incorporates ESG issues when analysing and reviewing companies.

In analysing companies, apart from gaining an understanding of the business and financial management, we believe it is important to identify potential non-financial risks by assessing management's behavior with regard to customers, employees, suppliers and the environment. A section on our internal Company Analysis Verification Sheets covers ESG issues as part of identifying key risks to our PVT (Potential, Valuation and Timing) thesis. MSCI ESG research supplements our assessment of a company's risks - if the MSCI ESG Rating and/or Carbon Emissions Score is low, this is a signal for further analysis. As part of our monitoring process, when MSCI ESG analysts raise issues or there is a significant change in the ESG rating potential risks are assessed.

We strongly believe the best process to improve management attitudes is through engagement and peer group pressure, rather than solely excluding a company on 'ethical' grounds, unless specifically requested by a client. We mainly engage on Governance issues, but will do on 'E' and 'S' as appropriate. Even in 'dirty' or 'unethical' industries we believe it is important for shareholders to assert pressure on companies to operate in the most environmental and social manner within the limitations of a particular sector. Engagement may take the form of voting against management or establishing a dialogue directly with management.

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

RAMAM has established the following documents which are related and relevant to this document:

- Corporate Governance, Voting and Engagement Policy; and
- Environmental, Social and Governance Policy

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 setting out how we fulfill our broader stewardship responsibilities, is available on our website.

RAMAM believes we are not only stewards of the assets entrusted to us by our clients, but that we also have a fiduciary responsibility to improve, where possible, the management of companies for all stakeholders whilst not compromising our objective of achieving strong financial returns.

Since RAMAM was formed in 2006 we have always voted on behalf of our clients, both for UK companies and those stocks held in our global equity portfolios. We regard voting as an important aspect of active ownership for engaging with companies to encourage better corporate standards.

We use a third party for voting, ISS Corporate Solutions, primarily following our General Principles on standards for good governance with ISS recommended action secondary. Proxy voting is overseen by RAMAM's Operations team, who refer to the appropriate portfolio manager before confirming voting intentions.

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 is a subsidiary of River and Mercantile Group PLC (''the Group''), an advisory and investment solutions business with a broad range of services, from consulting and advisory to fully-delegated fiduciary and fund management.

Confidence in RAMAM and the wider Group in acting on behalf of clients is at the heart of the relationship of trust between us and our clients. This means that when making investment decisions, or providing products or services to clients RAMAM and the Group must always act in the clients' best interests and put those interests ahead of our own. We also have an obligation to treat all clients fairly, which may give rise to the need to prevent conflicts of interest between different groups of clients.

Maintaining effective policies, systems and controls for the prevention of conflicts means that clients avoid unnecessary costs and should ensure that all clients have fair access to suitable investment services and opportunities. A copy of the Group's Conflicts of Interest Policy is available on request.

Whilst it is not practical to define precisely or create an exhaustive list of all relevant conflicts that may arise there are several key identifiable conflicts, such as trading errors, giving & receiving gifts, personal account dealing, cross trading and investment in our own funds. These are set out in the Group's Conflicts of Interest Policy and Conflicts Register together with some specific mitigation measures which the Group has implemented.

Within RAMAM for example, we may have a holding in a listed company that we have concerns about, which is also a client. In such circumstances we aim to act in an objective manner and the best interests of all our clients, including the specific client.

On some occasions, material non-public price sensitive information (MNPI) about a company may be disclosed to us. In these instances, the company is added to our Restricted List the effect of which is that all trading in that company is prohibited until the MNPI is disclosed to the market. We have systems and controls in place to ensure that MNPI is captured, monitored, controlled and disclosed to the market in accordance with the requirements of the Market Abuse Regulation (MAR). One element of our MAR controls is that we ensure that detailed records are kept of meetings conducted with issuer companies, including a confirmation that no MNPI has been disclosed during such meetings.

Our fund managers may personally own shares in a company in which our funds are invested. Our fund managers may also own large positions in the funds they manage. We consider that this draws an alignment between our senior investment professionals and our clients.

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.

In analysing companies, apart from gaining an understanding of the business and financial management, we believe it is important to identify potential non-financial risks by assessing management's behavior with regard to customers, employees, suppliers and the environment. To support our analyst's research on ESG issues we use the MSCI ESG database, which has reports and ratings on the majority of our holdings. MSCI's database provides a broad overview of the portfolio from an ESG perspective and allows us to identify potential risks when analysing companies.

At RAMAM we are a small team, but there are certain actions we can take to identify ESG issues/risks within companies held and/or being considered. Apart from our quantitative screen, we have a section in our research notes that covers ESG issues, so when issues are raised by MSCI, or there is a significant change in the ESG rating and when looking at new ideas, we undertake our own research to consider the potential impact on the economic value of a company. In assessing these issues/risks we may adjust the weighting of a stock in the portfolio, decide to sell an existing holding or not invest in a new idea.

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 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.

Instances when RAMAM may engage include when we have concerns about:

- The company's strategy
- The company's operational performance
- The company's acquisition/disposal strategy
- Independent directors failing to hold executive management to account
- Internal controls failing
- Inadequate succession planning
- An unjustifiable failure to comply with the local governance codes
- Inappropriate remuneration levels/incentive packages/severance packages
- Poor environmental management, including pollution and climate change
- Poor human capital management
- Poor management and/or disclosure of ESG information

After company meetings we are prepared to provide feedback, initially through the broker or PR agency who arranged the meeting. In the instance of major issues or concerns arising, our preferred approach is to escalate issues directly with company management, rather than in the public domain. Often companies approach us on contentious issues before an AGM/EGM, when we will discuss our voting intention in more detail.

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 be supportive of collaborative engagement in such circumstances.

Any participation we have in collaborative engagement initiatives is strictly governed by our Competition Law Policy, Conflicts of Interest Policy, concert party rules, our Market Abuse Policy and any associated guidance provided by our Compliance Department.

Principle 6

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

We exercise voting rights on behalf of clients, in doing so we consider that certain core principles of corporate governance apply across all markets, and we seek to apply these in our voting policies. For UK companies our voting policy incorporates the standards set by the UK Corporate Governance Code and intends to deal with issues that are either not covered, require greater emphasis or are specifically left open for shareholders to resolve with company boards. This also applies to companies listed outside the UK as we believe this Code has taken a lead in encouraging companies to set higher standards of corporate governance in promoting transparency, integrity and to adopt a medium to long-term view in decision making for the benefit of all stakeholders. Implementation of our Policy is mainly by Voting, with Engagement as appropriate.

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. Our Quarterly Voting Review includes details of our voting decisions, including reasons why we abstained or voted against management.

RAMAM has appointed the proxy voting service provider ISS Corporate Solutions to conduct our voting activities in accordance with our General Principles on standards for good governance, where appropriate. Clients receive a voting report on a quarterly basis where requested.