The Financial Reporting Council UK Stewardship Code ("the Code") is designed to enhance the quality of engagement between asset managers and companies to help improve long-term risk-adjusted returns to shareholders. At Majedie, we take the spirit of stewardship seriously; we think this is more effective than a box ticking approach. We believe stewardship and engagement are important aspects of achieving long-term performance for our clients. Our culture nurtures judgement and intellectual honesty – essential components for Responsible Investment – and our business model firmly aligns client and fund manager interests.

We set out below how Majedie Asset Management has applied the seven principles of the Code.

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

   This statement of our compliance with the Code is available on our website and we are listed on the Financial Reporting Council website as being compliant with the Code.

   According to the Financial Reporting Council, stewardship activities include 'monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance, including culture and remuneration.'

   As an agent of institutional shareholders, we recognise our responsibility to monitor the performance of investee companies. We do this in the following ways:

   - thorough analysis of the published accounts, consideration of a company's wider market conditions and of the prevailing macroeconomic environment;
   - regular meetings where necessary with company management; and
   - intervention where necessary, particularly on matters of strategy and remuneration.

   We find that few companies can sustain high levels of profitability and poor governance: sooner or later their profitability suffers. For this reason, we tend to invest in companies where we consider the management to be good, which also explains why we vote with management the majority of the time. If we invest in a company which is turning around its main business, we look for improvement across all areas, including governance, and we communicate those expectations in our conversations with management. Our performance over time suggests that our integrated approach can enhance and protect shareholder value for our clients.

At Majedie, our Investment team meet with over 400 companies a year as part of our ongoing analysis of the shares we hold on behalf of our clients. Typically, these meetings are attended by at least one fund manager (usually more, as positions are often held across several funds by different fund managers) and at least one analyst. Sometimes a member of the Responsible Capitalism team will also sit in on these meetings. Prior to these meetings a fund manager or analyst will outline detailed questions to put to management on topics such as recent results, influence of the external environment on strategy (e.g. competition or commodity prices), new opportunities in existing markets, underperforming business areas etc. These questions help to frame a purposeful dialogue with management whereby we can gain more clarity on the main issues for the stock. The reason for our engagement with companies is to reach as complete an understanding as possible of how they manage their businesses and the risks to those businesses, including environmental, social and governance (ESG) issues.

Following our meetings, and further discussions amongst the Investment team, a meeting note will be written up and stored on our internal research system (MajHive). If a fund manager needs further information on a particular topic e.g. Long Term Incentive Plan related performance targets, he or she will follow up with management. At Majedie, we often hold significant positions in a company which in turn facilitates direct access to management. We are also often early investors in companies which are unloved by the market or in smaller companies which can give us an opportunity to engage with boards when their strategy is at a formative stage.

These meetings and any subsequent discussions are a crucial part of our investment jigsaw and play an important role in ensuring our clients' interests are taken into consideration by the management of the companies they hold. Our holistic approach to stock analysis generates coverage of ESG issues from our fundamental research, rather than as a secondary overlay. We use the Principles of Remuneration published by the Investment Association's Stewardship Committee to review remuneration issues on a comply or explain basis. At Majedie, every vote is decided by the fund manager in consultation with the Responsible Capitalism team.

With regard to our voting activities, we aim to vote on all UK and overseas companies' ballots. We take proxy voting and research services from Institutional Shareholder Services (ISS) who spend a significant amount of time and resource engaging with companies regarding corporate governance and remuneration policies. We use their research as a basis for further discussion with individual fund managers and where necessary consult their analysts directly to delve into their recommendations in detail. The results of our votes are available to our clients through our proprietary web systems and quarterly reports, which include how we have voted at company meetings. We review our selection of proxy voting advisory service annually.

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

   Majedie is a small, closely knit team. All employees sit together on one floor in an open plan office which engenders an open, collaborative environment whereby members of the Operations team (who monitor stock positions) can easily speak with the Investment team. When a potential conflict of interest is identified, the fund managers will discuss the best course of action to take with the Compliance team and the Chief Investment Officer. Given our concentrated portfolios, the firm’s focus on pure equity investment and our relatively small number of clients, conflicts of interest are easier to identify and manage.

   Majedie is approximately 70% owned by the employees – every Majedie employee owns equity in the business; we are in partnership with our clients and here to stay. We believe this ownership structure aligns our interests with those of our clients: we can focus on achieving returns for clients without external shareholders clamouring for growth. Similarly, our fund managers all invest in Majedie funds, further aligning our interests with those of our clients.

   Majedie is also unusual in our long-held commitment to limit our assets under management in each strategy, to a level which we believe preserves our liquidity advantage. The combination of our simple ownership structure and our constrained capacity means that we are not under pressure to gather assets at the expense of the interests of existing clients – obviating a major source of conflict. Where our interests may diverge (for instance, personal account dealing) we operate a robust process to ensure clients’ interests are kept paramount.

3. **Monitor their investee companies.**

   As outlined in principle 1, at Majedie our Investment team meet with over 400 companies a year. The frequency of the meetings will depend on a number of factors, some of which are outlined below – we will speak or meet with management until our concerns have been addressed. We place great importance on this dialogue that we conduct with companies. Our relatively concentrated portfolios allow us to exert influence when raising any issues of concern. Other areas we are interested in exploring with company management include:

- the construction of their balance sheet and general financing strategy;
- the formulation of strategy at board level, including a consideration of board structure and alignment with shareholders;
- assessing the effectiveness of the management and their drive to add value to shareholders; and
- the execution of board strategy.

We also have a strong in-house research team and a research database (our proprietary system is called MajHive) where comprehensive information is stored in relation to existing and potential investee companies. We maintain a record of company meetings held and any votes cast, including notes of where we have voted against management. If any concerns have been identified, we will promptly write to the company explaining those concerns and look to engage with management further on that particular topic. We highlight examples of our engagement in our annual Responsible Capitalism report.

We monitor the effectiveness of our engagement by recording outcomes on MajHive, reporting to clients in our quarterly reports, including detailed case studies in our Responsible Capitalism annual report and giving an overview in our video summary. Our reports explain if the desired outcome was achieved – for example the addition of new Non-Executive Directors (NED) to a company board – and if not, what further action was taken. The concentrated nature of our portfolios and our high conviction approach to investment means that fund managers and analysts follow investee companies closely. Ultimately, we are seeking to realise the value of the companies we hold on our clients' behalf, so our interventions are measured by that yardstick.

We expect companies, their advisers and any third party agencies we may consult in the conduct of our research to refrain from making us insiders without our express permission.

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

Fundamental analysis is at the heart of our investment process at Majedie. Analysis is ongoing throughout the life of our holding of a company; we are constantly searching for new nuggets of information that will add depth to our understanding. It is through this thorough analysis that concerns can be identified.

Given our flexible process, it is not possible to lay out every conceivable motivation for escalation in this Statement. However, for the purposes of greater transparency, we lay out some of our reasons why we have escalated our activities in the past:

- where the strategy as enunciated by the management team appears misguided from a longer-term perspective;
- where remuneration policies as proposed for shareholder votes offer insufficient alignment with the interests of shareholders and/or inadequate performance criteria; and
- where governance arrangements expose the company to significant operational, safety or environmental risk.

We believe a company's share price plays the pre-eminent role in the regulation of the flow of capital and we are not afraid to sell the shares to reinforce that message. Given our commitment to controlling our capacity, we do not face the same challenge as bigger, more captive or passive investors.

We escalate our engagement in the following ways:

- conducting additional meetings with particular executive or non-executive members of the board to discuss specific areas of concern, for instance where company investment plans are considered excessive or misdirected; and
- writing to the chairman or other suitable non-executive directors where there are sustained strategic concerns, for instance where we disagree over the future structure of the company.

We do not consider public escalation to be generally in the best interests of our clients as we believe confidentiality is an essential precondition for an open and honest dialogue with company management. However, we may consider this option if all other strategies have been exhausted. We note the evidence cited in the Smith School/Arabesque report[1] which concludes that successful *private* engagement subsequently leads to an annual alpha of *7.1%* (our italics). We also note that activist fund managers have significantly shorter holding times than we usually do[2], so we are wary of associating with activist groups whose approach may be very different from our own.

However, we do sometimes engage with fellow long-term shareholders in seeking resolution to perceived shortcomings in our investee companies, particularly in the small cap arena.

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

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[1] From the Stockholder to the Stakeholder: How sustainability can drive financial outperformance, March 2015

[2] The Value of the Investment Profession, CFA UK April 2016.

We are willing to act collectively with other investors in circumstances where we feel doing so is acting in the best interests of shareholders, for instance where a company's treatment of minority shareholders is deemed to be an issue. However, being mindful of both the freedom from captive constraints that our capacity controls allow us and our belief that public engagement can be counterproductive, there may be some but not many instances of collective action. We are also members of the Investor Forum and participate in their relevant collaborative engagements.

We often attend corporate governance seminars hosted by the boards of companies in which we hold shares of on behalf of our clients. These meetings can be productive as we can share our concerns informally with other shareholders and together listen to how management address them. We also find it useful to attend industry events on the topic of engagement to gain insight into the thoughts of the wider investment community and share our views. We regularly and actively engage with the Investment Association.

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

We aim to vote on all resolutions at all Annual General Meetings and Extraordinary General Meetings in the UK and overseas ballots. We take proxy voting and research services from Institutional Shareholder Services (ISS) who spend a significant amount of time and resource engaging with companies regarding corporate governance and remuneration policies. Generally, we take good heed of its voting recommendations but where there are contentious issues, ISS research is used as a basis for further discussion with individual fund managers. We are not afraid to vote against either management or ISS where we feel the best interests of shareholders (specifically our clients) are not being met. In these circumstances, we may inform companies in advance of our concerns. Frequently the fund manager will have already discussed proposed governance changes with management at their regular meetings or by letter or email as part of our regular stewardship dialogue.

All our votes are cast via the ISS online voting service, which a member of the Responsible Capitalism team monitors. When we vote against management or abstain, we may communicate with management beforehand, either setting out our position in our regular meetings with management or in a communication to management.

We disclose our voting record fully to our clients and their advisers and publish to them notes on examples of where we have voted against management. In addition, we disclose to our clients and their advisers a Responsible Capitalism annual report, providing cumulative voting statistics, full disclosure on our voting policy, extracts of our engagement for the year and “hot topics”. We currently publish an annual voting record for the previous year via our public website.

We are opposed to stock lending, and do not practise it for funds in our control, namely our pooled funds. We believe that the revenue generated by such activities is dwarfed by the potential problems with share price manipulation (particularly with less liquid shares) and difficulties exercising votes. We have robust policies in place to alert our clients if their own stock lending activities have resulted in our inability to vote on a particular share.

7. Report periodically on their stewardship and voting activities.

We believe that it is important to ensure that our clients are kept informed of our record in corporate governance matters. In addition to the monthly publication of voting activity and quarterly voting notes described above, we produce an annual Responsible Capitalism report which provides an overview of our voting activities and case studies of our engagement activity to our clients and their advisers. Our reports comprise qualitative as well as quantitative information. James de Uphaugh, our Chief Investment Officer, also explains our approach to Responsible Capitalism via a video on our public website. All these reports are available on our client intranet sites, My MajIQ.

The Code states that we should obtain an independent opinion on our engagement and voting processes, having regard to a guidance framework. We believe that this is unnecessary given our small size and high level of transparency in this area; the whole firm sits in one room – very different from some large asset managers. Internal challenge is in our DNA and the Investment team and Responsible Capitalism team have regular and open discussions about voting and engagement decisions. All members of the firm are committed to the spirit of the Code. The Compliance team provide periodic reviews of the stewardship process. Our systems in this regard are regularly interrogated by our clients through their exacting due diligence processes. Our clients include institutional investors, wealth managers and endowments across a range of global, US and UK equity strategies. We are also subject to review by the major investment advisers and consultancies on behalf of our mutual clients.

Whilst we believe strongly in the principle of transparency to our clients, we are mindful that much research (including engagement) needs to be confidential in order for it to be effective.