



THE THOUGHTFUL INVESTOR

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CASTLEFIELD INVESTMENT PARTNERS LLP – Stewardship Policy

This policy sets out Castlefield Investment Partners LLP (“Castlefield”) commitment to the principles of the Financial Reporting Council (“FRC”)’s UK Stewardship Code (the “Code”) and also constitutes the disclosure of that commitment required under the rules of the revised Shareholder Rights Directive (SRD II) and the Financial Conduct Authority (Conduct of Business Rule 2.2.3, 2.2B.6R and 2.2B.7R) and Senior Management Arrangements, Systems and Controls Sourcebook 3.4.

Castlefield acts as an investment adviser to a number of collective investment schemes and also separately maintains a number of direct segregated client relationships where it acts as a discretionary fund manager. In each of these cases Castlefield recognises its stewardship responsibilities as an asset manager and its compliance with the Code is set out below. Although the Code has been drafted with UK equity investments in mind, Castlefield manage investments across a range of asset classes and will also extend the same philosophy to those investments as well.

This policy has been developed in line with the updated FRC Stewardship Code September 2012. Castlefield will review this stewardship policy annually.

The Code states that “so as to protect and enhance the value that accrues to the ultimate beneficiary, institutional investors should:”

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

Castlefield discharge their stewardship responsibilities with the ultimate aim of improving financial outcomes for the beneficial owners of the investments managed. In order to achieve this Castlefield will monitor and engage with the management of companies both in

Continued overleaf ...

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which it invests as well as of those which it determines offer potential investment opportunities.

Castlefield has a team of experienced and dedicated investment professionals who consider the corporate governance arrangements of companies as well as assess their suitability as investments using considerations such as strategy, risk, capital structure, corporate culture and remuneration. These considerations are integrated throughout the investment process, as outlined below.

Castlefield's investment team applies its proprietary B.E.S.T approach to all funds under management. The B.E.S.T approach considers four factors when assessing the suitability of a company or product for investment: (B) business and financial performance, (E) environmental and ecological considerations, (S) social influence - both positive and negative - of a firm's operations, products and services, and (T) the transparency of the company's reporting and its approach to corporate governance.

Figure 1: The B.E.S.T Process

B

BUSINESS & FINANCIAL:

- What kind of returns or performance target does the investment aim to achieve?

E

ENVIRONMENTAL & ECOLOGICAL

- What is our assessment of any claims made on an environmental theme?

S

SOCIAL INFLUENCE

- Does the investment aim/claim to have a social influence and if so, how?

T

TRANSPARENCY & GOVERNANCE

- Are the aims observable and/or measurable?
- Can we understand how it's supposed to generate the expected returns?
- Does the investment arrange its affairs in line with accepted standards?

The B.E.S.T Process in Operation

Matters identified through the B.E.S.T framework will be flagged with companies and fund managers and a course of action will be agreed, where appropriate. In many instances Castlefield will engage with the company or security issuer to press for improvements. Common issues identified through the B.E.S.T approach include environmental management, human rights and corporate governance.

Once invested, Castlefield discharges its stewardship responsibilities in a number of ways. This includes ongoing monitoring of investee companies, direct and collaborative engagement, voting and public reporting of our stewardship activities. Particular focus is given to the ethical and socially responsible aspects of a company's activities and Castlefield may choose to engage with a company on these aspects of strategy and implementation on occasions when Castlefield feel that such an approach will be to the advantage of clients. Castlefield subscribes to specialist data terminals to monitor company activity. In addition, the investment team uses third party research to complement internal analysis on current or prospective investments. However, all decisions on voting and engagement are made by the Castlefield investment team.

Castlefield may also choose to engage with the management of companies as appropriate to the size of Castlefield's holding and to the size of the company. Such engagement may include face-to-face meetings, writing to, or other-wise lobbying management or relevant industry bodies and ultimately exercising votes at company meetings. During 2017, Castlefield engaged with companies on issues such as human rights, employment practices, supply chain risks and executive remuneration. Castlefield's Stewardship Report provides some examples of engagement activity.

Castlefield may determine that the maximisation of returns for investors is best served by selling all or some of the shares in a particular company. In some circumstances this may reflect the quality of management of the company but in others it may be due to a decision to take advantage of other investment possibilities.

Aside from the investment process, Castlefield discharges its stewardship responsibilities by responding to public consultations, in instances where we deem it in the best interest of our clients to do so. This is typically on issues pertaining to investment and corporate governance. Castlefield publishes the full text of any consultation response on its website. For example, Castlefield's 2018 response to an FCA consultation on proposed changes to listing rules is available [here](#). Furthermore, in 2019 we also responded to the FRC's consultation on the revised UK Stewardship Code which can be found [here](#)

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

As an employee-owned business we ensure that everything we do reflects not only the values we share as co-owners of our own business, but also the principles that are important to our clients too.

Our shared ownership structure means that our employees and a [grant-making charitable trust](#) share in our business and profits. Shared ownership encapsulates everything Castlefield is about – a complete dedication to working for the benefit of our clients and an enduring determination to remain closer to our clients than any other financial services organisation. As such, the importance of acting in our clients' interest is paramount and remains our priority when engaging with companies and voting.

We, or a company with which we have an association, may from time to time have interests which conflict with those of our clients or with the duties we owe to our clients. To prevent the risk of damage to clients' interests as a result of any such conflict, we have in place organisational and administrative arrangements to deal with potential conflicts.

Conflicts of interest could arise in relation to stewardship as follows:

- We may hold positions and/or provide transactional related services for more than one client and such clients may have competing objectives in relation to a position or transaction.
- The interest of Castlefield Partners Ltd could conflict with those of a client
- Individual client interests could conflict with other investors
- Castlefield or one or more of our partners or employees may have other business relationships with a company in relation to securities clients enter into on a transaction
- In carrying out our business, employees may learn confidential or proprietary information about its clients, their underlying clients, prospective clients and their underlying clients or other third parties. Employees are required to maintain the confidentiality of all such information entrusted to them, except where disclosure is otherwise authorised or legally mandated. Further, employees are not permitted to use such information for their personal gain.
- Our employees are not permitted to trade in the shares of our clients unless the client's shares are widely traded on a regulated market and where the service provided by us represents a very small fraction of the client's total business.

We seek to manage any potential or actual conflicts within our business with the over-riding aim of ensuring our clients are not disadvantaged by the conflict.

We publish Voting Guidelines and voting records on our website. We think by disclosing how we consider and decide to vote on the proposed resolutions of our investee companies we give our clients a better understanding of how we vote on their behalf. We hope that publishing the guidelines we adhere to when voting indicates our commitment to being good stewards of client assets. We regularly revisit these guidelines to ensure that they continue to reflect client views.

Castlefield operates Chinese walls to restrict the flow of information between relevant departments or individuals where we believe potential conflicts could arise. We operate a prohibited stock list to prevent dealing in certain securities. We maintain a conflict of interest register in line with FCA requirements. The Executive Committee reviews the conflicts register and procedures on a regular basis to ensure there is awareness of the new conflicts which have been identified and our procedures are sufficient in managing the conflict.

In addition, Castlefield has a Conflict of Interest Policy which sets out our policy for identifying and managing conflicts of interest where the interests of individual clients may differ. This policy is available on the Castlefield website www.castlefield.com and covers a range of issues including transactional services, dealing and personal dealing, client confidentiality and Castlefield's remuneration structures.

3. Monitor their investee companies

Castlefield carries out ongoing monitoring of investee companies in order to remain abreast of their strategy as well as their performance, both in absolute terms as well as relative to a relevant peer group.

Of particular importance to Castlefield are:

- That strategic decisions are made to enhance the value and minimize the risks to the company;
- That the company's reporting is of a high quality with timely, transparent statements to investors and with high levels of voluntary disclosure in addition to the regulatory minimum;
- That the investee company's board and leadership are effective and adhere to the spirit of the UK Corporate Governance Code. Independent directors and associated committee structures should provide adequate oversight;
- That any issues that may result in a significant loss of investment value are identified as soon as possible and that in such circumstances, Castlefield will communicate with the company's Board or management to ensure that they are aware.

Castlefield monitors companies in the following ways:

- Using the B.E.S.T approach, as outlined in section 1 above, to assess the ESG risks of potential investments;
- Participating in calls and meetings with management, investor relations and CSR specialists;
- Following corporate announcements and articles about investee companies in the mainstream and financial press;
- Reviewing corporate publications, including corporate responsibility reports;
- Subscribing to data services to monitor company activity;
- Reviewing alerts and research reports issued by third party providers of ESG analysis.

If a company fails to adhere to the spirit of the UK Corporate Governance Code, Castlefield will carefully consider the explanations given and make a reasoned judgement. If it is felt necessary, Castlefield may write to the company and enter into a broader dialogue.

From time to time Castlefield's engagement with investee companies may result in Castlefield being made an insider by a company or broker acting on their behalf. Castlefield will consider the relative merits of receiving information or of retaining the freedom to deal on a case by case basis. Castlefield will communicate its willingness (or not) to receive such information to its investee companies or brokers on a case by case basis.

Companies or brokers wishing to make Castlefield an insider should contact Mark Elliott, Head of Investment, in the first instance.

4. Establish clear guidelines on when and how they will escalate their stewardship activities

Castlefield implements active investment strategies and engages with investee companies on a regular basis at both a formal and informal level. If Castlefield have any specific concerns about aspects of a company's strategy, performance, governance, remuneration, or approach to risks, including from a socially responsible or ethical point of view, we will look to raise these concerns on a confidential basis. If, however it is felt that a constructive or transparent response is not forthcoming, we will engage with companies further. Such engagement may take the form of:

- Holding additional meetings with management specifically to discuss these concerns;
- Expressing concerns through the company's advisers;
- Meeting with the chairman, senior independent director, or with all independent directors;
- Intervening jointly with other institutions on particular issues;
- Making a public statement in advance of general meetings;
- Submitting resolutions and speaking at general meetings;
- Requisitioning an EGM, in some cases proposing to change board membership;

Or, alternatively Castlefield may decide to sell its interest in the company.

When considering environmental, social and governance issues (ESG), we aim to engage companies:

- On significant issues arising from the ESG research that the investment team carries out on all prospective investee companies;
- On issues arising from our voting activity, particularly where we intend to vote against the board;
- On complex, thematic issues such as climate change, cyber security, human rights and water scarcity, that may pose a threat to our investments over the medium to long-term;

- In response to negative media coverage or alerts from our research providers on an investee company;
- In industry collaborations.

Castlefield's Stewardship Report provides examples of our engagement activity. The most common ESG issues that Castlefield engages companies on include governance, human rights, labour standards and environmental management.

Castlefield also engages to provide positive feedback where, for example, a company has improved its management or disclosure of ESG risks or has undertaken a sector-leading approach.

We measure the effectiveness of our engagement by assessing a company's willingness to discuss and take on board the issues that we have raised. As a basic starting point, we are successful in instigating a dialogue with most of the companies we contact. Our aim is to build long-term, constructive relationships with the companies that we invest in, where we can ask for updates on ESG issues on a regular basis. However, not all engagement will generate immediate or direct improvements: we do not regard this as a failed engagement but a reason to continue to press the company to take action. Where we do not elicit a satisfactory response we may escalate, for example, by making contact with a more senior member of the board.

We do not select engagements on the likelihood of achieving an immediate, positive outcome but on the materiality to the company. There may be many reasons why a company is unwilling or unable to take action in the short term, hence the importance of sustained pressure over time from investors and other stakeholders.

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

Castlefield is open to working collectively with other investors on either a formal or informal basis. This may be in circumstances when our approach to engaging with the management of investee companies is unsuccessful or when risks posed threaten to destroy significant investor value.

Castlefield is particularly interested in collective engagements that encourage investee companies to address ESG issues, or in engagements that drive change at an industry level. Castlefield is an active participant in the [Business Benchmark on Farm Animal Welfare](#) initiative, [the 30% Club](#) and ShareAction's [Workforce Disclosure Project](#).

Castlefield will consider any specific action on a case-by-case basis. In so doing Castlefield would have due regard to its policies on conflicts of interest and insider information. An investor wishing to discuss such a situation should contact:

Mark Elliott
Partner, Head of Investment Management

Castlefield Investment Partners, 111 Piccadilly, Manchester M1 2HY
mark.elliott@castlefield.com.

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

As an asset manager, Castlefield does not typically hold investments in its own name. Where Castlefield acts as the appointed Investment Adviser to funds, it generally has the right to exercise all votes in relation to UK equities held in those funds. Where Castlefield acts as discretionary fund manager for a private client, its terms of business allow it to cast votes held in nominee accounts where it has discretion over the account. Castlefield will always comply with a client's instructions (if any) received when exercising voting rights attached to that client's securities.

In the absence of specific instructions from a client, Castlefield does not automatically support the board; rather, Castlefield seeks to vote either For, Against or withhold votes based on the investment managers' knowledge of the company and an evaluation of the proposals. Where we intend to vote against the board, we endeavour to inform the company in advance of our voting intentions and will request a call to explain our rationale. We may alter our voting intentions following engagement with the company if a valid justification is presented.

Castlefield seeks to vote all shares held and, unless there are compelling reasons to the contrary, will vote in accordance with Castlefield's Corporate Governance and Voting Guidelines. These guidelines are based on the UK Stewardship Code and are publicly available on the Castlefield website. Castlefield uses third party research to inform voting decision-making but does not rely on the recommendations made by such services. Castlefield's voting record is publicly available on the Castlefield website and provides detail on every vote cast by the investment team. At present, this record is published once a year. In addition, Castlefield's Stewardship Report contains summary data on our voting.

Data on our voting from July 2017 to June 2018 (the most recent full year data set available) is set out below.

Figure 3: Votes Cast For, Against and Abstentions

(Date range: July 2017 to June 2018)

ANNUAL VOTING STATISTICS

| | |
|--|-------------|
| Number of resolutions where votes were cast For | 1939 |
| Number of resolutions where votes were cast Against | 368 |
| Number of resolutions where votes were Abstained | 71 |

Figure 4: Reasons for Abstentions and Votes Against Management

(Date range: July 2017 to June 2018)

% OF VOTES TO ABSTAIN OR GO AGAINST MANAGEMENT OVER THE LAST 12 MONTHS



Voting is carried out either by the nominee service used by Castlefield's private clients, Pershing Securities Ltd or in the case of funds where Castlefield is the appointed Investment Manager, by ProxyEdge, a proxy voting service provided by Broadridge Inc and appointed by the fund's Authorised Corporate Director.

Castlefield does not engage in stock lending.

7. Report periodically on their stewardship and voting activities

To date, Castlefield has published a stewardship report on an annual basis. The latest report is available via the Castlefield website. Furthermore, since 2018, Castlefield has reported its stewardship activities on a quarterly basis and clients also receive quarterly stewardship updates.

Castlefield's investment team also provide a monthly update on ESG engagement activity to financial advisers in our sister company, Castlefield Advisory Partners Ltd. The advisers draw on this information in meetings with current and prospective clients. In disseminating information on our engagement activity, Castlefield would not disclose any information which it determines to be confidential, inside information, or in any other way such that its disclosure might be counterproductive to achieving a positive outcome.

Castlefield notes the provisions of the Code which state that institutional investors should obtain an assurance report to confirm whether the policies and processes in relation to the application of specified Principles and related disclosures have been fairly described and to disclose that independent opinion to investors on request. Given Castlefield's relatively small size it has determined that the strict application of this guidance would be disproportionately onerous. The internal Castlefield Stewardship Committee will review this policy on an annual basis.

Castlefield has also recently established an External Advisory committee, which held its first meeting in September 2018. Further details on the committee, its composition and summarised minutes of each semi-annual meeting is available on the Castlefield website.

Continued overleaf ...

The committee will offer guidance on voting, engagement and the suitability of stocks for inclusion in our B.E.S.T Sustainable funds. A key aim of the committee will be to provide independent oversight and validation of the manner in which Castlefield upholds its stewardship responsibilities.

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