

Our compliance with the UK Stewardship Code

Code provision	Comment
<p>Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.</p>	<p>The Fund has made a commitment, in its SIP, to exercising its ownership rights, including voting rights, in order to safeguard sustainable returns in the long-term. The Fund has a policy on responsible investment in listed equity which sets out how it discharges its responsibilities as shareholder: in order to do so cost-efficiently across a growing global listed equity portfolio, it appoints an external advisor (currently F&C's reo® service team) to vote the Fund's shares, to monitor portfolio companies for ESG risks, and where concerns arise, to engage with company management on these concerns. The policy is described on the Fund's website. The Fund actively monitors F&C throughout the year and conducts an annual review of its services. It holds F&C accountable for its implementation of the Code. The Fund also factors into its assessment of incumbent and potential fund managers how they apply the Code, but recognises that this is not formally done on the Fund's behalf. It employs a dedicated responsible investment manager who is charged with these activities.</p>
<p>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.</p>	<p>The Board is satisfied that its voting and engagement advisor has suitable expertise, policies, research and resources to carry out stewardship activities on its behalf, and will therefore generally refrain from influencing its activities on a case-by-case basis. By doing so it minimises any conflicts of interest that may arise where the Fund's share ownership of listed companies coincides with its duty to protect the pensions of the members of those companies' pension funds. This policy is disclosed on the Fund's website.</p>
<p>Principle 3: Investee companies should be monitored to determine when it is necessary to enter into an active dialogue with their boards. Monitoring should be regular, and the process clearly communicable and checked periodically for its effectiveness.</p>	<p>F&C monitors companies on the Fund's behalf, based on its own direct analysis and external research from a variety of sources such as EIRIS or The Corporate Library. The monitoring also includes the voting of the Fund's holdings, and engagement, through correspondence, face-to-face meetings, attending AGMs or other means, with portfolio companies. It maintains a proprietary in-house database of all engagement and voting activity, and will inform portfolio companies in writing of abstention or oppose votes, and the reasons behind the vote. It provides a quarterly report to the Fund on voting and engagement, highlighting individual engagements, specific issues, and providing a measure of effectiveness ("milestones").</p>

<p>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.</p>	<p>The Fund is satisfied that F&C will take appropriate action on its behalf where concerns arise, in order to ensure long-term sustainability of its returns. F&C rates ESG risks on the basis of its ongoing monitoring (see Principle 3), and identifies anomalies or breaches of good business practice that might call for engagement or other forms of intervention. This process is supported by F&C's Corporate Governance Committee that is charged with maintaining F&C's governance policies and reviewing specific portfolio company cases. The Fund may highlight specific issues for more focused consideration.</p>
<p>Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.</p>	<p>The Fund, while not directly involved in stewardship activities, indirectly acts collectively with others through its voting and engagement advisor. F&C conducts much of its engagement on a regular basis with other investor groups. It is also involved in a number of investor bodies. Direct collaboration by the Fund with other investors focuses on sharing best practice and information via formal and informal networks. The Fund is a signatory to the Principles for Responsible Investment (PRI), the Carbon Disclosure Project (CDP) and its offshoot, CDP Water. It is also involved with the International Corporate Governance Network (ICGN).</p>
<p>Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.</p>	<p>The Fund is committed to voting and the disclosure of responsible investment activities. Its voting policy directs its agents to act in line with market-specific institutional voting guidelines such as those of the National Association of Pension Funds (NAPF) and the Association of British Insurers (ABI) in the UK. Voting itself is outsourced to F&C and every individual vote is considered in accordance with F&C's corporate governance policies.</p>
<p>Principle 7: Institutional investors should report periodically on their stewardship and voting activities</p>	<p>The Fund publishes its voting and engagement record on its website on a quarterly basis. The PPF's annual report contains a section on responsible investment that summarises its activities.</p>