

Stewardship refers to how we manage and protect our clients' assets by monitoring investee companies. This includes engaging with company management on strategy, performance, governance, capital structure and risk management. We apply our approach on stewardship to all companies that we invest in, both in the UK and overseas on behalf of our clients.

This document outlines how we apply the seven principles of the FRC UK Stewardship Code ('The Code'). The Code was adopted by the Financial Reporting Council (FRC) in July 2010 and updated in September 2012.

Most of the provisions of the European Shareholder Rights Directive (SRDII) will come into effect on June 10, 2019 and the revised and updated UK Stewardship Code is due to be published in July 2019.

One of the requirements under SRD II is the publication of an Engagement Policy. The statement below outlines how we discharge our duties under each of the principles set out in the current UK Stewardship Code. This includes our approach to engagement. In response to the requirements under SRD II and the requirements that may accompany the revised Stewardship Code we are considering whether to develop and publish a specific Engagement Policy.

PRINCIPLE 1:

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

As an active manager of long-term concentrated portfolios Martin Currie takes stewardship very seriously. We are motivated by a belief that this both helps protect and enhance the risk-adjusted return on our clients' capital. Ultimately we want to make sure that the interests of company managements are aligned with their shareholders (our clients), and that the former take this into account when making decisions. We place a particular emphasis on governance, strategy and capital allocation, but also pay significant attention to 'sustainability' issues, including those of an environmental and social nature.

Our stewardship activity manifests itself principally in monitoring and engagement – both privately or in collaboration with other investors – and our voting activity. With regards to the former we try to build strong relationships with investee companies, ensuring that our engagement is not constrained by our clients' minority-shareholder status. Nonetheless, we will continue to join collaborative efforts, particularly when deemed likely to be more efficacious than acting alone. As for our voting policy, this is determined by our internal guidelines, with an expectation that companies will comply with (local) best practice or explain why this is not the case. Where clients assign us proxies we will vote with their best interests in mind. When voting against management we endeavour to inform them of our rationale for doing so in advance of the vote so as to allow due time for a response. All resolutions are reviewed in this context, with the responsibility for initial proposals residing with the investment team with oversight by our independent Head of Stewardship and ESG, David Sheasby.

As well as our internal research, we utilise the services of proxy advisor Institutional Shareholder Services (ISS), which provides its own research on resolutions presented for company meetings. We use their platform to instruct the votes. Our governance and oversight documents, which apply across all regions, are reviewed annually, to ensure that we stay abreast of developments and best practice.

PRINCIPLE 2:

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

We make significant efforts to identify potential conflicts of interest and have detailed management policies in place to mitigate these should they arise. These policies are owned and signed off by our Executive and shared with our clients. In addition, we disclose to our clients the nature and source of conflicts and our



processes and controls around them, to ensure that risks of damage to the interests of a client will be mitigated. The types of scenarios covered by our conflicts of interest policy are:

- Where the interests of Martin Currie conflict with those of a client
- Where the interests of one Martin Currie client conflicts with interest of another client
- Where the interests of an employee of Martin Currie conflicts with the interest of a client

One specific conflict relates to investment in the shares of our parent company Legg Mason. In order to manage this conflict, our policy is that Martin Currie does not invest client portfolios in shares of Legg Mason.

Our policy places responsibility on all staff to identify and report any potential conflicts. These are reported to our compliance team and placed on our conflicts register. There is an established process for managing each conflict, with an owner assigned to each and controls put in place and regularly reviewed to ensure that they remain relevant and effective.

We principally manage money for institutional investors – many on a segregated basis – who all receive our policy, but we do not publish this on our website, as we do not believe it is appropriate or beneficial to share with a wider audience. The policy contains sensitive and confidential information and full public disclosure may therefore not be in our clients' best interest.

David Sheasby, Head of Stewardship and ESG, is independent of both the investment and client servicing teams, which helps guard against any potential conflicts. We maintain a conflict register and assess our controls on a quarterly basis. We also provide our staff with regular training in 'conflict management' to ensure company-wide clarity about our policies.

PRINCIPLE 3:

Institutional investors should monitor their investee companies.

As bottom-up investors we pay very close attention to developments at investee companies, using publicly available information, third-party research and direct communication. We hold regular meetings with management of the companies in which we invest our clients' money, to discuss strategy, sustainability and performance, and to review management processes against best practice. As mentioned, we actively engage with investee firms on issues put to shareholder vote, especially in instances where we disagree with the resolutions tabled.

Where a company chooses not to comply with the UK corporate governance code we will consider the explanation provided in the context of the particular circumstances for that business. When further information is required, or the explanation is unclear, we will seek to engage with the company.

We want to establish an open dialogue with investee companies. Our in-depth research, which is refreshed at least annually, regular contact with management of companies we invest in, and assessment of resolutions put to shareholder vote, help us identify potential issues or changes at investee companies. As long-term investors we also want companies to consult with us when there are material changes and issues which impact long-term shareholder value, such as strategy, capital structure, governance and wider sustainability matters.

We aim to engage with companies in an informed, constructive and discrete manner. Under certain circumstances – when we deem it to be in the best interest of our clients – we will agree to being made insiders in investee companies for a limited period of time, but we expect the latter to seek our explicit approval beforehand and to exercise due caution in what information they share with us during this process. Where we do become an insider, we follow the procedures in our 'Insider Dealing and Market Abuse' policy.



We have an internal research database where we also record our engagement and voting activity and ISS, our proxy voting provider, publishes our voting records on their platform. We also publish our voting record on our website.

PRINCIPLE 4:

Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

We recognise that our ‘standard’ engagement approach – seeking constructive dialogue with management – may not always yield the results aimed for and in these circumstances we will consider escalating our stewardship activities. This will include seeking additional meetings with the company, contacting the non-executive directors or company advisors, or voting against management. Scenarios that would warrant this include when minority shareholders’ rights are being compromised; when we are concerned about board structure; or sustainability issues that could undermine a company’s future earnings’ potential. Indeed, as long-term investors we expect the companies in which we invest to focus on delivering durable shareholder value. This means that we expect management to consider long-term risks and opportunities presented by environmental, social and governance (ESG) factors. The topics and issues on which we are most likely to intervene will therefore also include environmental or social issues.

In making decisions as to whether engagement will be escalated, a number of factors will be considered, for example:

- The particular circumstances giving rise to an issue
- How this compares to perceived best practice
- The explanations provided by the company
- The potential impact for our clients
- Whether there is a history of related issues

Should unilateral engagement efforts prove insufficient, we will consider escalation via a collaborative route – contacting other shareholders to discuss joint intervention (see principle 5). When all reasonable options have been exhausted, we may sell the shares to protect our clients’ interests.

PRINCIPLE 5:

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

We are willing to act in concert with other investors when this is in our clients’ best interest. For example, we are an active participant in a number of Principles for Responsible Investment (PRI) collaborative engagements. As well as leading engagements on targeted companies in certain cases, we will also set the terms and targets for the engagements. Our decision to pursue a collaborative effort will, among other things, be a function of: the particular nature of the issue; the likely efficacy against acting privately; and the motivations of the other investors. Our focus here will always be on issues that are material and thus could have an impact on long-term shareholder value.

Our work with the PRI has recently included collaborative engagements on Fracking Disclosure, Employee Relations with a focus on the retail industry, Water Risks in the Agricultural Supply Chain and Cyber Security. Our role in these engagements has varied – in the case of the Fracking Disclosure and the engagement on Cyber Security we have been involved in setting the terms of the engagement and identifying the target companies. In each of these forums we have also led the engagement with a number of target companies. Our collaborative engagements are overseen by the Head of Stewardship and ESG.

**PRINCIPLE 6:****Institutional investors should have a clear policy on voting and disclosure of voting activity.**

We endeavour to vote on all our clients' shares when this responsibility has been delegated to us. Our protocol is set out in our Global Corporate Governance Principles and our Proxy Voting Policy. Our policy is not to automatically support the management and we will consider to what extent the proposals are in line with our policy. We focus on the extent to which managers of the business have been good stewards of shareholder capital and in particular we will pay attention to:

- Board structure and election of directors
- Directors' remuneration
- Audit and appointment of auditors
- Reporting and financial disclosure
- Technical issues – particularly shares without pre-emption rights
- Capital allocation in the interests of all shareholders

Our voting policy and process is overseen by our Head of Stewardship and ESG. As mentioned, we employ Institutional Shareholder Services (ISS) as our proxy voting advisor. Although their recommendations are typically in line with our corporate governance and proxy voting guidelines, we do not delegate responsibility for deciding how to vote our clients' proxies – these decisions are all made on a case-by-case basis by the investment team in conjunction with the Head of Stewardship and ESG.

As already outlined, we encourage the companies in which we invest to focus on delivering sustainable shareholder value. This means management should consider the long-term risks and opportunities presented by environmental, social and governance (ESG) factors. How the company behaves in this respect will inform our voting decisions. When voting against a resolution, we seek to inform management of our reasons for doing so before the vote and will engage with the company where appropriate.

We disclose our voting records on our website one quarter in arrears. These disclosures can be found on our Stewardship page at www.martincurrie.com. Where clients request it, we will also provide a reason for each vote against management. Martin Currie does not provide clients with a stock lending service. Should they want to lend their stock, they have to make their own arrangements, and assume responsibility for calling back their shares if they wish to exercise their voting rights.

PRINCIPLE 7:**Institutional investors should report periodically on their stewardship and voting activities.**

Transparency is critical to Martin Currie, and this includes communicating stewardship activities. Our quarterly client reports include a section on ESG (often encompassing voting information) and we produce articles on our engagement activities, which are sent to clients and posted on our website. In addition, when requested, we provide our institutional clients with detailed quarterly reports on our engagement and voting activities. We also produce an annual report on our stewardship and ESG work for broader dissemination and this explains our approach, engagement and voting activities, and outlook on key themes.

We record all of our voting and engagement activity on our internal research database and publicly disclose a summary of our voting activities on our website. In an effort to make sure we do not depart from best practice we also solicit external assurance of our voting processes, in particular with reference to conflict management. This is under the SSAE16 framework.

Our collaborative engagement is predominantly carried out in conjunction with the PRI. The PRI set out a clear process and parameters around each engagement which provide a framework within which we operate.



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Both companies are authorised and regulated by the Financial Conduct Authority. Martin Currie Inc, 1350 Avenue of the Americas, Suite 3010, New York, NY 10019 is also registered with the Securities Exchange Commission. Please note that calls to the above number may be recorded.