

Progressive Asset Management Limited Group (“PAML”) Stewardship Policy

Background

The UK Stewardship Code (“the Code”) was published by the Financial Reporting Council in July 2010. Under the Code, PAML is required to comply with the principles of the Code or to explain why it has not done so. This document sets out the policy of PAML for engaging with the companies in which its clients invest and explains how and to what extent PAML complies with the principles of the Code.

PAML is a group with several investment management subsidiaries, which manage a variety of investment companies with varying remits. The detailed approach adopted by PAML in dealing with investee companies will inevitably differ depending on the requirements of the particular client, but this document sets out the general policy and the philosophy that guides PAML in all such dealings. In the case of investee companies where both PAML’s client holds less than 1% of the voting shares and the holding is less than 5% of the value of the relevant client’s portfolio, PAML may not follow all the procedures detailed below because the cost and effort of doing so would be disproportionate to the potential benefit to the client. In addition, where PAML’s clients invest in open ended investment companies or similar structures, many of the procedures set out in this document will not be appropriate because of the nature of the investment.

Principle 1 – “Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities”

PAML’s principal concern is always the provision of the best possible service to its clients and obtaining the best possible return for the shareholders of those clients. However, PAML has always recognised the link between good corporate governance and the achievement of satisfactory results for investors. As a result, PAML has always believed in engaging actively with investee companies. The first two investment companies set up by PAML were designed specifically to address perceived failures in corporate governance in the UK investment trust sector. PAML makes the boards of investee companies aware of its expectations and is prepared to hold them to account.

Principle 2 – “Institutional investors should have a robust policy on managing conflicts on interest in relation to stewardship and this policy should be publicly disclosed”

PAML has always been aware of the possibility of conflicts between its interests or those of its employees and the interests of its clients and has always sought to minimise those conflicts and to resolve them, where necessary, in such a way that its clients are not disadvantaged. It has maintained a formal conflicts of interest policy since 2007. PAML is also aware of the possibility of conflicts between the interests of different clients. Where these might arise, PAML agrees with the boards of the client companies procedures whereby such conflicts may be resolved.

Principle 3 – “Institutional investors should monitor their investee companies”

PAML monitors all its investee companies. In particular, PAML monitors corporate governance arrangements and board structures. Meetings are held with management to discuss the Company's strategy and the best way of achieving PAML's investment objectives. These meetings are recorded by PAML. Where PAML has concerns about the governance or performance of an investee company it will raise these, normally with the chairman, either in a meeting or in writing or both. PAML will request not to be made an insider unless there is a clear benefit to its client and unless the period for which it will remain an insider is definite and short.

PAML's investment managers conduct their own monitoring of investee companies to determine whether the corporate governance and conduct of those companies is satisfactory. PAML does not rely on the recommendations of any outside agency in deciding how to vote.

PAML seeks to attend general meetings of investee companies that are based in the UK and to take the opportunity of such meetings to question the board either formally as part of the business of the meeting or informally outside the meeting. Failing this, and particularly where PAML's holding in a company is small, PAML will attend analysts' meetings or results presentations and use these opportunities to question management. In the case of overseas companies, PAML will seek to meet management when possible, bearing in mind that it may not be cost-effective to travel to general meetings.

PAML maintains records of votes cast at general meetings of investee companies and the reasons for any votes that are against the advice of the board of the investee company.

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”

PAML forms a view as to the correct course of action for investee companies and attempts to persuade management to follow that course. Where it appears that management are not following the recommended course and PAML still believes that they should, PAML will consider further action such as consulting other shareholders (see below). PAML will also seek to influence management by raising concerns with the company's advisers. If necessary (and if possible) PAML may requisition a resolution at a meeting of the company or may requisition a meeting to oblige management to carry out the recommended actions.

Principle 5 – “Institutional investors should be willing to act collectively with other investors where appropriate”

PAML is always prepared to act with other investors where this is likely to produce a better result for its clients' shareholders. Where PAML has a clear view of the direction that an investee company should be taking but the management of that company appear to be reluctant to consider that course, PAML will seek the views of other shareholders with a view to persuading management that the recommended course of action is in accordance with shareholders' wishes.

PAML will always take great care to avoid forming a “concert party” under the Takeover Code unless it considers that such action is the best interests of its clients’ shareholders. In no circumstances will PAML put itself in a position where it might have to make a bid for an investee company under Rule 9 of the Takeover Code.

Principle 6 – “Institutional investors should have a clear policy on voting and disclosure of voting activity”

PAML’s policy is to vote all the shares it controls on behalf of its clients. However, where the holding is below the limits set out in “Background” above it may decide not to do so. Where PAML does vote, it reviews the resolutions and votes according to its perception of the interests of its clients’ shareholders. This means that PAML will only support the board of the investee company if it thinks that this is best for shareholders. PAML sets out on its website a summary record of how it has voted on behalf of its clients. This record is updated quarterly within one month of the end of the quarter.

Principle 7 – “Institutional investors should report periodically on their stewardship and voting activities”

PAML prepares reports for each of its quoted clients at each board meeting of the client. These reports cover the involvement of PAML with all significant investments including meetings with management, voting and any other action taken by PAML in respect of that investment.