Sanderson Asset Management LLP (“Sanderson”) aims to provide strong investment returns and excellent service to its investors and sees a considered approach to stewardship and shareholder engagement as an integral part of this. Below, Sanderson has used the principles set out in the Financial Reporting Council’s UK Stewardship Code to describe how it engages with the management of current and potential portfolio companies on governance and related issues. This document should be read in conjunction with Sanderson’s Environmental, Social and Governance Policy, which describes in more detail which issues Sanderson will typically engage a company on.

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

**Investment Process**

Sanderson is a value manager and aims to grow the value of its portfolio investments over the long-term. Sanderson’s substantive analysis of any current or potential portfolio company includes an assessment of its management. Corporate governance considerations may be included within this assessment, if deemed relevant. To this end, whilst governance and related issues do not always form a documented part of Sanderson’s investment process, it recognises the material impact that such issues may have on the companies that it chooses to invest in. This flexible approach enables Sanderson to give full consideration to stewardship-related risks in respect of any investment opportunity and enables it to act in the best interests of all of its privately offered commingled funds and separate accounts (Sanderson’s “Clients”).

**Company Meetings**

Sanderson is an active investment manager and, although fundamental research forms the main basis for Sanderson’s investment decision-making, company meetings are also a key input into this process, both before and after investment.

Sanderson endeavours to meet regularly (normally at least annually) with all current and potential portfolio companies. Sanderson’s Portfolio Managers are encouraged to ensure that these meetings are well structured and encompass a constructive exchanges of views with a company’s senior management and/or investor relations team. In any such meeting, the specific topics for discussion will vary, based on a host of company-specific factors and the existing research on file, and Sanderson’s Portfolio Managers will not hesitate to include corporate governance questions or issues if they believe that this is relevant in any way. Sanderson may arrange extra meetings if there are any specific or follow-up concerns and it is felt that this is the best way to address them.
Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

Sanderson is a privately owned, independent partnership, which implements just one investment programme for all of its Clients. As such, Sanderson has specifically structured its business to ensure that its interests and the interests of its staff are aligned as closely as possible with those of its investors, for example, through ownership interests and staff remuneration practices. This reduces the conflicts of interest faced by Sanderson, as compared to larger and more complex financial services firms, but Sanderson is clear that it does not eliminate the risk of conflicts entirely.

Conflicts of Interest

Sanderson maintains an inventory of the actual or potential conflicts of interest to which it may be subject. This includes key conflicts which may impact on the ability or motivation for a Portfolio Manager to focus on governance issues for the companies which are in Sanderson’s portfolio or which it is monitoring e.g. staff personal account dealing or outside business interests. Sanderson has implemented robust controls and procedures to manage these potential conflicts. These controls and procedures are described in Sanderson’s Compliance Manual and tested at least annually as part of Sanderson’s compliance monitoring programme.

Proxy Voting Policy

Further to the above, Sanderson also maintains a formal policy in relation to proxy voting. This policy describes some of the more complex and specific conflict scenarios that might arise in relation to proxy voting. For example, where:

- a portfolio company’s retirement plan assets are invested in one of Sanderson’s privately offered commingled funds or separate accounts;

- a portfolio company or one of its affiliated entities is also a security or foreign exchange brokerage counterparty to one of Sanderson’s privately offered commingled funds or accounts; or

- where the person responsible for overseeing investments for an investor in one of Sanderson’s commingled funds or accounts is also a director or officer of a portfolio company that would materially benefit from any executive compensation or incentive scheme subject to shareholder vote.

Sanderson’s policy requires that proxy voting matters which are affected by any such potential conflict or which raise particular corporate governance concerns be designated as “material”. Material proxy voting actions are subject to additional controls, including review and sign off by two Portfolio Managers. Sanderson’s policy on proxy voting is also included within its Compliance Manual, which is updated and subject to management approval on at least an annual basis. It is also distributed to all Sanderson’s investors on an annual basis. Sanderson will provide a copy of its Compliance Manual to any investor upon request.

Specific Investor Restrictions

Sanderson recognises that there are many issues about which its investors feel strongly, but it is obliged to act in the overall best interests of all its Clients. For example, Sanderson has found that some investors maintain a list of restricted securities for companies operating in certain sectors or industries, from which they would like their investment managers to divest. However, Sanderson must
be guided by the principles of its investment strategy and has not agreed to dispose of any existing holdings or refrain from purchasing other securities that may meet its valuation and quality criteria. Sanderson has not agreed to any investor specific investment restrictions in relation to such matters.

**Principle 3 – Institutional investors should monitor their investee companies.**

**Research Monitoring**

Sanderson’s investment approach is based on fundamental analysis, which involves building and maintaining a detailed knowledge of individual companies, including through meetings and calls, analysis of published company reports, announcements and circulars and broader internal and external research and data. As such, Sanderson’s monitoring of investee company strategy, operational, governance and management performance and capital allocation is integral to its investment process. Specifically in relation to corporate governance, Sanderson generally seeks to satisfy itself, to the extent reasonably practicable, that the investee company’s board and committee structures are effective, that independent directors provide adequate oversight and that, in general terms, the company has responded appropriately to any identified corporate governance issues. As part of this process and as described above in relation to company meetings, Sanderson will, where appropriate, communicate its views to the management and/or boards of these companies when it has concerns.

Sanderson’s Investment Team members have areas of expertise across a range of different sectors. This breadth of experience helps each member to decide what is appropriate in terms of monitoring and engagement in terms of governance issues for a particular company. The approach will reflect Sanderson’s view of the current and future prospects of the company, whether there are specific issues to address and the stock’s current and likely future position in a portfolio.

**Prior Engagement**

Sanderson monitors the effectiveness of its prior engagement with the management and boards of investee companies. Sanderson’s historic communications, and the success of such communications, will play a part in its proxy voting decisions. In accordance with applicable law and its internal document retention policies, Sanderson keeps electronic records of material engagements, voting and other corporate governance and corporate responsibility activities, including the rationale for voting decisions.

**Voting Matters**

Sanderson votes the vast majority of its investments by proxy. Sanderson will, in exceptional circumstances, attend meetings where a problematic issue is being discussed or where it believes that this is reasonably necessary to fulfil its fiduciary responsibility to its Clients. As a general rule, where specific issues arise, then Sanderson prefers to talk privately with company management, as it believes that this is a much more effective way to monitor a range of issues, including governance. That said, as set out below, Sanderson is willing to pursue other courses of action.

**Inside Information**

Sanderson does not envisage a scenario in which it would wish to be made an insider or to obtain, without prior consent, any information which may affect its ability to deal in the securities of a
company. All Sanderson staff are provided with relevant training on this on an annual basis. In the unlikely event that Sanderson is made an insider by accident or mistake, it has appropriate internal controls to address this and meet all the relevant regulatory requirements.

**Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.**

Sanderson is an active but not ‘activist’ investor. It does not build holdings in companies with the objective of changing the way that they are run or exercising control. However, Sanderson will intervene where it feels it necessary. For example, where it has particular concerns about capital allocation, including payment of dividends and acquisitions/disposals, strategy, operational performance or remuneration.

Potential courses of action in relation to concerns, in no particular order of priority, include:

- talk to the company management;
- write to the company to explain our expectations as shareholders;
- collaborate with other shareholders to bring pressure to bear on company management;
- abstain or vote against management resolutions;
- submit resolutions or introduce motions at shareholders’ meetings.

The chosen approach(s) will depend on what Sanderson feels is in the best interests of its Clients, as well as what is likely to be the most effective course of action in relation to a specific issue. Generally, operational and financial matters, and execution of strategy, are likely to involve meeting with executive management. Concerns about board oversight, governance and risk will normally be discussed with non-executives. Sanderson will sell a position if it feels that is the most effective response.

**Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.**

Sanderson’s approach emphasises meeting and talking to company management. But, subject to regulatory restrictions, conflicts of interest and acting in concert restrictions, and where Sanderson feels that it is in the best interests of its Clients to do so, it may (as above) participate in collaborative engagement activities. Any such activities will be considered on a case by case basis and addressed in the context of the economic environment and other relevant business issues. Issues on which we have acted collectively have typically focussed on corporate strategy and its implementation.

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

As above, Sanderson has a formal policy on proxy voting. Subject to the specific considerations set out in Sanderson’s proxy voting policy, including country and company-specific issues, Sanderson seeks to vote all shares held.

Whilst Sanderson like to be able to support the management of the companies in which it invests, each proxy motion is considered individually. If a motion is not in the best interests of our Clients,
Sanderson may vote against it or else abstain. Voting is informed by internal research and supplemented with information produced by external firms, such as ISS. Sanderson has access to ISS’ research in the form of governance reports. ISS also provides Sanderson with a summary of all resolutions put forward at company meetings and assesses the extent to which governance arrangements are in line with best practice. This research is valuable, but it is Sanderson’s Portfolio Managers who make the final voting decision, based on this and multiple other sources of information.

**Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.**

Sanderson provides a quarterly summary of its voting activity to all investors who have asked to receive this. It is also happy to provide more detailed information on any particular vote to an investor on request – indeed, queries about voting, including Sanderson’s procedures and specific vote information, are a common topic in investor meetings or due diligence questionnaires.

A high level summary of Sanderson’s votes and details of those instances in which Sanderson has voted against management are included below:

<table>
<thead>
<tr>
<th>Sanderson Voting Summary – 1 January 2018 to 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanderson voted on 1,219 resolutions at 81 company meetings</td>
</tr>
<tr>
<td>Number of resolutions where Sanderson voted with management</td>
</tr>
<tr>
<td>Number of resolutions where Sanderson voted against management or else abstained</td>
</tr>
</tbody>
</table>

**Breakdown of votes cast against management or else abstained**

| Remuneration and related matters      | 12  |
| Election of directors/auditors        | 33  |
| Capital issuances and shareholder rights | 32  |
| Distribution/allocation of income     | 0   |
| Routine business                      | 7   |

Sanderson has not sought an independent opinion on its shareholder engagement or voting. However, as above, Sanderson’s operational voting procedures and controls are subject to review by compliance on a regular basis.

*February 2019*