



UK Stewardship Code Statement

Oldfield Partners LLP ('OP') is an asset management firm which began business in 2005. The firm manages long-only equity portfolios for a variety of clients around the world. The firm is majority owned by its executive partners.

We regard stewardship as integral to our investment process. Good stewardship is important to help us understand the sustainable value of companies, supporting our responsibility to protect and enhance the value of the companies in which we invest on behalf of our clients.

Consistent with our investment philosophy, our commitment to be a responsible investor and our duty to act in the best long-term interests of our clients, we fully support the UK Stewardship Code and comply with all its principles. Although the code is focused on the UK, it sets a standard for stewardship and engagement for non-UK equity investments and we seek to apply the same principles globally, taking into account local practice and laws.

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

OP's policy is summarised in this document, which is published on our website.

Our approach to investing is based on fundamental, bottom-up company analysis. We take a long-term view and have low levels of turnover. Our portfolios are concentrated: between 15 and 35 holdings depending on the strategy. This concentration necessitates a thorough knowledge of each holding, including a company's exposure to, and management of, Environmental, Social and Governance ("ESG") factors.

We integrate our stewardship responsibilities into our investment process. Fund managers, analysts and the Stewardship Committee work collaboratively to analyse and monitor each holding. Stewardship-related matters are thoroughly considered in research notes alongside business history and prospects and valuation, all being key factors in determining our attitude to ownership.

Our understanding of stewardship-related matters derives from a review of company statements, reports and actions, and in many cases an ongoing dialogue with company representatives. In addition, we use the outsourced services of Global Ethical Standards ("GES"), which provides a service of monitoring and commentary on ESG concerns for all companies in which we have holdings. We use the services of Institutional Shareholder Services ("ISS") which provides analysis and recommendations on voting, while determining ourselves the way in which we will vote on behalf of our clients (sometimes differing, therefore, from the ISS recommendation). We also collaborate with certain clients who are themselves active in stewardship, maintaining a dialogue with these clients and with their advisers.

We will engage with a company's board and/or management where there are stewardship-related weaknesses and we feel that our interaction with the company may have an influence. For example, we have had an on-going dialogue with a mining company about the method of dealing with waste tailings and have obtained assurances that a particular method will not be used in the future. Where there are stewardship-related weaknesses which we think insuperable we will avoid, or on discovery may sell, our clients' holding in a company.

Our policy is to report fully on stewardship-related matters to those clients that are interested, noting points which we think are relevant and reporting on engagement, monitoring and outcomes. We publish a quarterly summary of proxy voting and key engagement activity on our website.

We believe that attention to governance and to other stewardship-related matters is integral, with attention to valuation and to business prospects, to the protection and enhancement of value for our clients.

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.

OP maintains a comprehensive conflict-of-interest policy, fully in accordance with regulatory guidelines. We seek to act in the best interests of clients at all times. The policy ensures that procedures are in place to identify, manage and document any conflicts that arise in the course of business. The policy is reviewed annually and is publicly disclosed on the firm's website at the following link:

<https://www.oldfieldpartners.com/files/file/view/id/1136>

The firm does not handle client money. We have trading procedures, including those in relation to the placing of orders and to allocation between clients, which ensure that all clients are treated fairly. We have a comprehensive personal trading policy. Members of the firm are encouraged to invest in the firm's own funds rather than in individual securities. The policy precludes investment by members of the firm in companies which are held in, or are being considered for holding in, clients' portfolios; and requires advance written approval for personal trades, by two executive directors. Records of personal trades are examined by the board (with three non-executive directors) at each board meeting. All partners, and the majority of members of the investment team, are invested themselves in the firm's funds to assist alignment of interest with clients. There is a rigorous entertainment policy which requires recording of all entertainment in excess of £150, these records being included in board papers. Entertainment of the firm's members is allowed only where such entertainment is conducive to business discussion.

All portfolios within a single strategy are essentially identical, differing only to the extent that, where there is a cash inflow, holdings in companies closest to their valuation targets may not be added to. Otherwise all clients within the same strategy trade together. Because of this identical treatment of different clients' portfolios, any divergence between the interests of different clients is extremely rare. The only instances of such divergence have been where one client is withdrawing cash at the same time that another is adding, when a cross-

transaction between the two clients' portfolios is cost-effective and thus to the advantage of each client. Such cross-transactions require approval by the compliance officer and are noted in reports to the board.

There is an overlap of holdings and potential holdings between the different strategies. Whenever a portfolio manager wants to place an order, he or she must notify the whole investment team to provide the opportunity for any other manager within the team to participate in the trade, thus ensuring that all accounts are traded at the same time.

Principle 3: Institutional investors should monitor their investee companies.

We continually monitor each investee company as part of our investment process. This includes assessing recent performance, management, and any developments which may have a significant impact on the company's value or risk profile, including ESG factors.

Fund managers, analysts and the Stewardship Committee work collaboratively to monitor and assess each holding. Typically, investee companies are monitored through the regular review of company statements and financial results, general meetings, and in connection with news and company announcements. The analysis of publicly reported information makes up the majority of our monitoring activity. We proactively contact representatives of an investee company where we deem necessary. We regularly meet management of investee companies to discuss strategy, capital allocation, long and short term performance factors, and the creation of ongoing shareholder value. We will express our views, which may include ESG concerns, as part of these ongoing dialogues.

The frequency and intensity of the monitoring may vary from company to company. For example, a small family-controlled business operating in Thailand may require greater scrutiny than a large multinational corporation listed in the UK. The level of contact will likely increase where we have specific long-term concerns about an investee company.

OP's policy is that all investee companies must be monitored in relation to ESG matters. This policy is effected through the requirement that the individual responsible for a particular company should include in his or her research notes on the company concerned a section dealing with such matters. Our concerns may relate to social and environmental matters as well as other ethical and governance practices. We avoid companies in which there are serious governance concerns, and companies in which there have been concerns about business being conducted in an unethical manner unless it is clear that such concerns have been dealt with by management and any shortcomings have been addressed. For example, we deferred investing in an oil and gas company in the US until the then chairman had been replaced and several new independent directors had been appointed.

We also monitor the investee companies by using Bloomberg data to score the companies by reference to a variety of ESG factors. Environmental factors include, for example, the use of energy and water; social factors include lost time incidents and fatalities and employee turnover; governance factors include the proportion of independent directors, the extent of diversity by gender and nationality on boards, and the level of remuneration. We monitor

both the absolute scores for these factors, relative scores versus peers, and the direction of travel over time.

The Stewardship Committee reviews these Bloomberg scores and reports from GES on a quarterly basis. In addition, the Stewardship Committee monitors and tracks any company engagement that OP has undertaken, or should undertake, together with apparent outcomes. Action to be taken may include engaging with the board and our clients and their advisers, or pre-advising the company of our voting intentions if we are voting against management. The Stewardship Committee (formed in June 2016) consists of our stewardship partner (Richard Garstang), the chief investment officer (Richard Oldfield), the head of research (Nigel Waller), and the chief executive (Jamie Carter).

As an active fund manager we are generally reluctant to be in receipt of price sensitive information from companies or their advisors. Receiving such information places us 'inside' and therefore puts us in a position where we are unable to trade shares in the company/ies concerned. However, should a member of the investment team at OP be made an insider, the policy is for the compliance officer to be notified and for the stock in question to be placed on the "stop list", which is then coded into our trading system and prevents any further trading in the shares until the stock is removed from the list. Should a company or another investor wish to determine whether OP is prepared to be made an insider in relation to a particular company, they should contact the compliance officer, John McEwing (jgm@oldfieldpartners.com) or chief executive, Jamie Carter (jac@oldfieldpartners.com).

We rarely attend company general meetings in person as we believe there are usually more effective means of communicating with, and offering support, to companies.

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.

We ordinarily hope to address our stewardship concerns through discussions that we hold with company representatives within the ordinary routine of interaction. However, we may decide to extend our engagement activity and/or escalate specific areas of concern in order to effect the change we are seeking. Such decisions are made on a case-by-case basis, influenced by factors such as the materiality of the issue. The incident reports we receive from GES give an assessment of severity, and a confirmed violation classified as severe will be more likely to prompt engagement.

The Stewardship Committee determines, with the involvement of the individual member of the research team most closely involved with the particular company, the method and process of engagement to reflect concern about a particular activity or aspect of governance.

The process of escalation will normally involve holding additional meetings with company representatives to enhance our understanding of their stance and help the company understand our position. Should this fail, we may consider further escalation, including:

- meeting/communicating with non-executive directors or the chairman
- withholding support or voting against management (and informing them)
- collaborative intervention with other institutional investors

Examples of escalation include discussions about remuneration issues with an office products company in the US, a Canadian mining company and an energy company in the UK where we have had concerns either about the level of remuneration or about specific aspects of, for example, a long-term incentive plan. We influenced changes in the long-term incentive plans at the Canadian mining company and the US office products company. We also requested information about waste tailings procedures in the Papua New Guinea operations of the Canadian mining company, and have obtained written assurances which had not hitherto been given.

Where engagement is undertaken, the Stewardship Committee determines with whom it is most likely to be effective. In some cases investor relations teams at the company concerned are contacted for information and in order to make representations. In others, we have made representations direct to chief financial officers, chief executives, and chairmen – for example, we made strong representations about remuneration issues to the chairman, chief executive, and independent director heading the remuneration committee at a Canadian mining company.

We do not generally issue statements in the media or campaign publicly on issues in advance of general meetings. Instead we prefer to engage confidentially with company management to discuss issues and concerns, as we believe this is the most constructive and effective approach. Where we plan to vote against management, and the timescale allows, we will generally make the company aware of our concerns and our voting intention prior to casting our vote.

All engagement is tracked by the Stewardship Committee to determine the effectiveness of our activities.

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

OP is prepared to communicate, and potentially collaborate, with other shareholders if it is likely to result in a positive outcome for clients and would not infringe any legal or regulatory requirements. In considering collaborative engagement, issues such as alignment of interests, confidentiality, shared objectives, agreement on strategy and potential escalation would be considered. If it is possible that we will be made insiders, we require that this possibility be disclosed in advance of any information being given or detailed discussion taking place.

We are members of the UK Investor Forum for the specific purpose of collective engagement. This forum is currently focussed on UK companies. We also engage collectively through the intermediation of GES.

In the event that other investors wish to contact us regarding potential collaboration, the person to contact is Richard Garstang as stewardship partner (contact details are at the end of this document) or, where price-sensitive information which would make OP an insider is involved, Jamie Carter or John McEwing.

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

It is OP's policy to vote all shares where we are entitled to do so, except where there are onerous restrictions – for example, shareblocking. OP employs the services of ISS to manage the voting of proxies and assist our decision-making. ISS provides analysis and voting recommendations for each proposal. OP votes in line with ISS recommendations unless we have a conflicting opinion about a particular issue, in which case we instruct ISS to vote as we see fit.

ISS's voting policies reflect best practice within the industry and are extremely thorough. They can be found at the following link <https://www.issgovernance.com/policy-gateway/2016-policy-information/>. For example, the policy applied by ISS in the UK broadly reflects guidance from the Pensions and Lifetime Savings Association (formerly known as the National Association of Pension Funds). The voting policies of ISS are generally the voting policies of OP and are therefore applied in all but a relatively small number of incidences. However, if there are company-specific factors which lead us to take a different view, we vote accordingly.

In 2015 the total number of meetings at which our voting was possible was 120; we instructed ISS in respect of 119 of those meetings. There were 1716 resolutions put before those meetings; we voted with management in relation to 1539 of those resolutions and against in relation to 175 resolutions, the most common areas for such votes being those relating to the election of directors. We have differed from ISS recommendations in relation to some remuneration votes where we regarded the management proposal as being in the best interests of shareholders (for example in the case of a US software company), in relation to the election of directors where we viewed a board structure which is not superficially best practice is being nonetheless most conducive to shareholders' interests (for example, a Japanese company), and in relation to certain detailed operational matters such as the phasing out of nuclear facilities where we regarded the continuance of those facilities as being in the best interests of shareholders (a Japanese electric power company).

We publish a quarterly summary of proxy voting as part of our Stewardship and Voting Activities Report on our website at the following link:

<https://www.oldfieldpartners.com/files/file/view/id/1138>

We do not provide comprehensive public disclosure of voting activity since we regard this voting activity as being part of the privileged relationship we have with clients rather than being a matter of public interest. We provide detailed disclosure on voting activity to clients where requested.

Where a client has specific proxy voting guidelines which differ from ISS, we work with ISS to ensure that we vote in line with the guidance prescribed by the client, recognising that where the client has not delegated voting responsibility wholly to OP our first obligation is to follow the client's own preferred policy.

Certain OP client mandates undertake stock lending. Where a stock is on loan ahead of a general meeting or corporate action, and we have discretion to vote or act on that client's behalf, we recall the stock (unless it is not in that client's interest). OP does not borrow stock for the purpose of exercising votes.

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

Where requested, OP provides regular reports of stewardship activities to its clients, including detailed proxy voting records pertaining to the individual client. The frequency and contents of the reporting are agreed between OP and the client at the inception of the mandate and are generally incorporated into the investment management agreement. Reports generally include details of all votes and of engagement activity. For example, in relation to a US office products company we have reported on concerns, discussed with the management, about a long-term incentive plan which was based on a rolling annual basis rather than a cumulative basis and, as such, was in our view too short-term. While concluding that we would vote with management on the say on pay resolution at this company's AGM as a show of support for improvements made to date, we spoke to members of the remuneration committee before the plans and targets for the following year were established to ensure better alignment with shareholders over the long term. In another case, we engaged with an Italian oil company regarding spills in Nigeria. Following this dialogue, we were satisfied that the company was not directly responsible for the great majority of these spills, which were the result of oil theft.

We publish our Stewardship and Voting Activities Report on a quarterly basis. This report provides a summary of proxy voting, ESG matters and key engagement activity, and is publicly disclosed via the website at the following link:

<https://www.oldfieldpartners.com/files/file/view/id/1138>.

Our proxy voting control processes are detailed in our AAF 01/06 assurance report on internal controls which is independently verified by external auditors and is available to clients on request.

Contact details

For further information on our Stewardship policies and practices, please email Richard Garstang at rsg@oldfieldpartners.com