Hosking Partners

Stewardship Code

September 2018

This document sets out the Statement of Compliance with the Financial Reporting Council's Stewardship Code for Hosking Partners LLP.

Statement of Compliance

Hosking Partners LLP ("Hosking" or the "Firm") is authorised and regulated by the Financial Conduct Authority in the United Kingdom and registered with the Securities and Exchange Commission in the United States. The investment objective is to achieve rates of return in excess of the benchmark over the long term via investment in a portfolio of global securities.

The UK Stewardship Code is overseen and published by the Financial Reporting Council, the independent regulator overseeing financial reporting, accounting and auditing and corporate governance. The Code, first published in 2010, sets the benchmark in the UK for institutional investors to meet ownership obligations in respect of their holdings of UK equities.

Hosking's multi-counsellor approach is deliberately structured to give each autonomous portfolio manager the widest possible opportunity set and minimal constraints to make investment decisions. Under this approach, Hosking may invest in companies alongside significant shareholders whose long-term interests it believes are broadly aligned with those of its clients. Thus, whilst corporate governance is an essential element of the investment decision process, such companies may score poorly under what are generally perceived as strong corporate governance standards, for example by not having the requisite board diversity, committees, etc.

Hosking considers that it complies with the majority of the recommendations of the UK Stewardship Code. Set out below is the approach taken in respect of the key recommendations. Please direct any questions regarding Hosking's approach to stewardship to: Simon Hooper, Chief Operating Officer (compliance@hoskingpartners.com).

PRINCIPLE 1

Institutional investment firms should publicly disclose their policy on how they will discharge their stewardship responsibilities

Hosking has outlined its guidelines and the key characteristics it looks for in boards of portfolio companies in its Voting Policy. Hosking actively monitors and, where appropriate, engages in dialogue with portfolio companies. Hosking's belief is that active ownership – in the form of long-term oriented analysis of investment prospects and holdings, proactive exercise of shareholder rights, and constructive engagement – can improve accountability, and long-term returns. It is therefore central to Hosking's investment process to consider each company's ability to create, sustain and protect value. Engagement and actively voting the shares it manages on behalf of clients should therefore be seen as integral to its equity investment process.

PRINCIPLE 2

Institutional investment firms should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Hosking maintains a robust policy on managing conflicts of interest which is designed to ensure its decisions are taken wholly in the interest of its clients. Hosking aims to ensure that all potential and actual conflicts are identified, evaluated, managed, monitored and recorded.

Hosking's Conflicts of Interest Policy is available to its clients upon request, and defines activities that have potential to present conflicts of interest and sets out the procedures to manage those conflicts.

PRINCIPLE 3

Institutional investment firms should monitor their investee companies.

Interaction with management and ongoing monitoring of investee companies is an important element of Hosking's investment process. Hosking does however recognise that its broad portfolio of global companies means that the levels of interaction are necessarily constrained and interaction will generally be directed to those investee companies where such involvement is expected to add the most value. Monitoring includes meeting with senior management of the investee companies, analysing annual reports and financial statements, using independent third party and broker research and attending company meetings and road shows.

PRINCIPLE 4

Institutional investment firms should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Hosking will generally look to invest in companies that it believes to be well managed. Engagement will normally be conducted through periodic meetings with company management. It may include further contact with executives, meeting or otherwise communicating with non-executive directors, voting, communicating via the company's advisers, submitting resolutions at general meetings or requisitioning extraordinary general meetings. Hosking may conduct these additional engagements in connection with specific issues or as part of the general, regular contact with companies.

PRINCIPLE 5

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

Hosking recognises that there are occasions when it is better to work with other shareholders to effect change. Where Hosking considers that it is likely to enhance its ability to engage with a company, and it is permitted by law and regulation, it will work with other investment firms. This may involve sharing views and ideas with such other institutions. It may also involve meeting companies jointly with other shareholders or using the services of third-party membership organisations or other collaborative or informal groups.

PRINCIPLE 6

Institutional investment firms should have a clear policy on voting and disclosure of voting activity.

Hosking maintains proxy voting policies and procedures that are designed to ensure that it makes a best efforts attempt to vote proxies in the best interests of its clients. Hosking uses the proxy voting research coverage of Institutional Shareholder Services Inc. All recommendations are reviewed and portfolio managers vote in a manner in which they believe will do the most to maximise shareholder value.

PRINCIPLE 7

Institutional investment firms should report periodically on their stewardship and voting activities.

Hosking does not publicly disclose voting records as it considers that such information belongs to its clients on whose behalf it has voted and not the general public. Hosking reports to its clients in respect of its Voting Policy and any proxy voting it has undertaken on their behalf.

Hosking has adopted a proxy voting policy that is guided by its fiduciary responsibilities and commits its portfolio managers to vote in a manner in which they believe will do the most to maximise shareholder value and never to prioritise unrelated objectives. Proxy votes are reviewed by the Compliance Officer or his delegate for adherence to this policy.