CADENCE
INVESTMENT PARTNERS

Responsible Investment Policy

As a long-term investor, Cadence Investment Partners LLP ("the LLP") view the sustainability of a company's business model to be crucial to any investment decision. Because of this we believe that good corporate governance is an essential pre-requisite to investing in any business. Our initial analysis of any potential investment therefore incorporates governance issues such as shareholder and board structures, management compensation, related party transactions and conflicts of interest as well as employee compensation and pension provision. In addition to financial factors such as profitability, cash flow and balance sheet structures we also investigate labour working practises as well as any environmental problems and the attitude of company management towards these.

From a moral perspective, we avoid investing in businesses which intentionally hurt the environment or treat employees unfairly but the main focus of our research process is on corporate governance principles.

While maximising long term returns on assets managed is the focal point for us, we understand that ESG issues can determine whether these long-term returns are achievable or not. We therefore take an active role in promoting good corporate governance in each of the companies that we are invested in.

We also believe that the management of any business it invests in should be aligned to the interests of the shareholder. As such it will encourage ownership of shares by the management in the company. Cadence will also encourage the establishment of management and staff share option schemes in companies it invests in provided these schemes are long term in nature.
Our investment process leads us to have regular contact with the management of investee companies.

We have adopted the standards set out by the United Nations Principles for Responsible Investment ("the UNPRI") and the Financial Reporting Council's Stewardship Code ("the Stewardship Code"). We comply with the EU Shareholders Rights Directive 2017 and our voting record is detailed in a separate Voting Disclosure document.

1. The UNPRI

The LLP has signed up to the UN PRI in an effort to formalise our approach and become more accountable. This means that within our investment process and policy we adhere to the following statement and the six principles for responsible investment set out by the PRI and its partners the UNEP Finance Initiative and United Nations Global Impact:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Our research process requires not only a detailed analysis of the business strategy, profitability and market position but also a thorough analysis of shareholder return policies. This includes an in-depth review of the corporate governance policies adopted by the company as well as a detailed accounting review of the company in an effort to identify practises which may detract from long term shareholder returns. In addition, any social or environmental issues are also addressed. The process is the same across all geographies and sectors.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
We are active investors and will seek to engage with the management of any business we are invested in that does not fulfil our ESG requirements. As long term investors, we understand that ESG factors play a major role in the ability of company management to sustain long term returns.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
The research process includes interviews with company management as an essential pre-requisite to any investment decision. This direct company contact allows Cadence to establish whether the management policies of the company are in the interests of its shareholders and of society in general. We also believe that Cadence' long term investment approach lends itself to building up a constructive engagement with company management.

Principle 4: We will promote acceptance and implementation of the principles within the investment industry.
We are passionate about the need for good corporate governance within the businesses we invest in and encourage all of our company contacts to adopt such an approach. We promote such an approach where possible within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the principles.
We prefer to keep our interaction with company management on these issues private but where our client's returns are under threat from the adoption of actions which are against our ESG principles we reserve the right to escalate the situation through collaboration with other industry members.

Principle 6: We will each report on our activities and progress towards implementing the principles.
We report annually on the UNPRI's website and we offer our clients full access to all our discussions regarding ESG principles with the management of investee companies if requested.

2. The Stewardship Code

In addition to the UNPRI we also strive to meet the FRC's Stewardship Code which describes a series of benchmarks that UK institutional investors should strive to meet with respect to their holdings in UK equity securities. While the LLP does not normally invest in UK equities it believes that the Stewardship Code's principles are important to all types of equity investment whether UK or international as they provide a degree of fiduciary responsibility for any investment manager acting on behalf of its clients.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.
The LLP takes an active approach to share ownership and investee companies are monitored regularly through direct company interviews, a detailed study of financial and other reports and statements issued by the company itself, and by analysing reports written about the company by third party research providers such as stock broking firms. The responsibility for the monitoring of each individual stock rests with the partner who originated the idea.

Principle 2: An investment firm must have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

We understand the need to identify potential conflicts of interest and the importance of having robust systems and controls in place to protect our client's interests. We have developed a policy for managing conflicts of interest associated with voting proxies and engaging with investee businesses. This forms a key part of our compliance manual and is available on request.

Principle 3: An investment firm must monitor their investee companies.
Our research process requires that we monitor our investee companies and maintain contact with them on an ad hoc basis. Where the LLP deems appropriate it will communicate its views to the management of the business. This communication will include discussions around overall management strategy, capital structure, corporate actions and corporate governance as well as social and environmental issues. A record of all interaction with the investee company will be maintained and could be used as part of the proxy voting process.

Principle 4: An investment firm must have guidelines on when and how they will escalate their stewardship activities.
When an investee company decision conflicts with our policy we will normally look to sell our position in the business. When a decision is made which conflicts with our principles but is not viewed by us to be detrimental in the longer term we may vote against the decision in the normal voting process.

Principle 5: An investment firm must be willing to act collectively with other investors where appropriate.
While we prefer to keep discussions between the management of an investee company and the LLP private, collective engagement with other investors would be considered if such an approach is considered beneficial to the clients of the LLP. These would be considered on a case by case basis.

Principle 6: An investment firm must have a clear policy on voting and the disclosure of voting activity.
Cadence has a proxy voting policy that necessitates voting on all proxies where clients have delegated the responsibility to Cadence. This may not be possible in all circumstances as external factor such as custodian related issues and stock splits can hinder this process to an extent. Proxy voting records are available to clients on request and may be mentioned in regular or ad hoc communications with clients.

We do not lend stock but the client's custodian may do so and this may mean that there is no stock available to vote on as we will not ask the client to recall the stock ahead of voting.

Principle 7: An investment firm must periodically report to clients on its stewardship and voting activities.
The LLP communicates with clients regularly through meetings and ad hoc conversations as well as providing regular updates on all its activities through monthly, quarterly and periodic reports. These communications may include discussion in regard to corporate governance issues and the result of or proposals in regard to proxy votes.

Questions on the UN PRI principles, the UK Stewardship Code Statement, Proxy Voting Policy and Conflicts of interest should be referred to the Responsible Investment partner richard@cadenceinvestment.com .

31st January 2020