



The UK Stewardship Code Investment Management

The Financial Reporting Council ('FRC') issued the UK Stewardship Code ("the Code") in July 2010.

The purpose of the Code is to enhance the quality of engagement between institutional investors and companies to help improve long term returns to shareholders and the efficient exercise of governance responsibilities. The FRC has laid out seven principles firms should aspire to meet. The Code is addressed in the first instance to firms who manage assets on behalf of institutional shareholders such as pension funds, insurance companies, investment trusts and other collective investment vehicles.

The Financial Conduct Authority FCA has stated that all firms that manage investments for professional clients should produce a statement of commitment to the Stewardship Code or explain why it is not appropriate.

The paper describes the extent to which Investec Wealth & Investment ('IW&I') complies with the policy on stewardship. The purpose of the document is to help you understand how we approach our stewardship responsibilities for each of the seven principles of the Code.

IW&I provide Investment Management and Dealing services, whose clients are predominantly categorised as retail clients in accordance with the FCA rules. These clients are not covered by the requirements of the Code. IW&I does manage the portfolios of a small number of institutional clients that are classified as 'professional clients' in accordance with the FCA rules. These clients' portfolios are managed within the terms of our standard services that are outlined in IW&I's Terms and Conditions. We recognise the responsibilities that arise from the stewardship of client assets, and the related rights of the beneficial shareholders of the portfolios.

We would like to clarify that the purpose of the Code is not to invite firms such as ourselves to manage the affairs of the investee company and nor does it hinder or preclude a decision to sell a holding if this is considered to be in the best interest of investors. Nothing in this Code removes the responsibilities of Trustees or others of their duty of oversight and care that has been placed upon them.

The steps taken to comply with the Code (or explain the alternative steps taken where the Code is not fully complied with) are detailed below.

Principle 1

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

IW&I recognises that when it holds an investment in its nominee account on behalf of a client, it becomes the registered shareholder in that business and assumes any accompanying influence over how that business is managed. This will most likely be through direct dialogue with the management team or through exercising voting rights at general meetings. If we think a company is not being managed in the interests of our clients, we will decide how best to engage with the company to address this.

The decision as to whether to exercise voting rights is initially taken by the relevant analyst in our Research Team. Their opinion is presented to the relevant Corporate Governance Committee for review and, if endorsed, then the intention to vote and explanation on how we will vote is circulated to all Investment Managers who have discretion over the investment in question.

Principle 2

Institutional investors should have a robust policy on managing conflict of interests in relation to stewardship. This policy should be publicly disclosed.

IW&I has a Company Policy & Procedures Policy on Conflicts of Interest. The policy highlights the businesses within IW&I and those that we do not undertake. Our policy also outlines how we manage any conflicts that do arise. A copy of our conflicts policy is available to all our clients in our Terms and Conditions, and can also be obtained upon request from the Head of Compliance by other interested parties.

Principle 3

Institutional investors should monitor their investee companies.

IW&I has a dedicated Research team which monitors all the investments that it actively covers. News flow is closely monitored and, when deemed appropriate, conclusions are communicated to Investment Managers.

When we purchase shares, our aim is to make investments in companies that can be held for the long-term and as such we pay regard to how the company is managed; the composition of its board and how it is performing. We also check that the reporting is adequate for our research team to analyse and monitor.

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.

IW&I directly engages with management to discuss any issues as they arise. Where we wish to escalate matters, we can exercise any voting rights we have discretion over. Going further, we can put forward shareholder resolutions and discuss matters with the Company's advisers, its non executive directors or the Chairman. We are prepared to combine forces with other shareholders to increase pressure on management. From time to time, where our holdings are insufficient to apply appropriate pressure to the Company, we may consider disinvestment.

Principle 5

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

IW&I is willing to act with like minded shareholders where appropriate and where it is in the interests of our clients, so long as in doing so we are able to comply with insider dealing or concert party rules.

Principle 6

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

IW&I is a corporate subscriber to ISS (Institutional Shareholder Services). Our Research Team benefits from ISS's detailed analysis of upcoming proposals on a general meeting's ballot paper on all shareholdings in companies analysed by them. Typically, we will exercise discretionary votes where we have a material interest in an investment and on material issues, which can encompass anything from remuneration to board composition. Our analysts may also make recommendations based on Environmental or Social issues.

IW&I has its own custodian and does not lend stock. Hence we are fully in control of our holding and can vote on behalf of our discretionary clients without encumbrance.

We do not, in general, publicly disclose how we vote. However, we do disclose to clients upon request how we have voted on specific issues for them. In addition, we can disclose upon request to clients within our regular valuation reports where we have voted on issues which we regard as material. As such, we are more likely to report on instances where we have voted against management or participated with other shareholders on a specific shareholder resolution rather than where we have voted in favour of a management resolution.

Principle 7

Periodic reporting on stewardship and voting activities.

At present IW&I aims to report to interested clients where we have voted against management or voted to encourage management to adopt a resolution that could lead to a change in how they operate. Disclosure would be limited to those shares held by each of those clients, rather than a report on all activity carried out by IW&I, and can form part of our normal quarterly report package to the client. We do not currently report on all our voting and are unlikely to report on activities where we have engaged with management as we would want management of these companies to know that our discussions are confidential. A central record of voting activity is maintained on behalf of IW&I.

Bath 01225 341580
Belfast 02890 321002
Birmingham 0121 232 0700
Bournemouth 01202 208100
Cheltenham 01242 514756

Edinburgh 0131 226 5000
Exeter 01392 204404
Glasgow 0141 333 9323
Guildford 01483 304707
Leeds 0113 245 4488

Liverpool 0151 227 2030
London 020 7597 1234
Manchester 0161 832 6868
Reigate 01737 224223
Sheffield 0114 275 5100

investecwin.co.uk