

Responsible investing and Corporate Governance

Strategic Equity Capital plc

Responsible investing with Gresham House

At Gresham House we strive to achieve the highest standards across all our operations and are committed to integrating responsible business practices.

Our business mission is to deliver strong, consistent financial performance in alternative investments and align ourselves to our clients and shareholders' long-term objectives.

Our definition of sustainable investment is investment that proactively manages a full range of risks and seeks to make a positive social, economic or environmental impact whilst delivering strong financial returns.

We updated our Sustainable Investing Policy in December 2019. The policy outlines our approach, process and ESG management tools, as well as our standards for reporting.

We believe our commitment to integrating sustainable investment practices where applicable across our strategies, has a clear fit with making an active contribution to the sustainability agenda at a global, local and asset level over the long term.

Our Sustainable Investing Policy refers to our commitment to ESG/Sustainable Investing practices which are:

- Integrating ESG and Economic benefit considerations into our selection, evaluation, governance and engagement processes across the lifecycle of each investment.
- Taking steps to consult and understand the views, concerns and ambitions of our stakeholders in seeking sustainable outcomes
- Ensuring all teams across the firm understand and receive the appropriate training to deliver on our Sustainable Investing agenda
- Conducting regular monitoring and stewardship of ESG risks, opportunities and performance through KPIs tools
- Conducting our business activities in line with the UN-supported Principles, including our annual reporting obligations

We recognise that sustainable investment drivers differ across asset classes. Hence, we have developed specific sustainable investment policies for each of the asset classes that we manage across our five investment strategies. A copy of our Sustainable Investing and asset class policies are available at: <https://greshamhouse.com/sustainable-investing/>

The Sustainable Investing Policy for our Public Equity investment strategy policy is available here: <https://greshamhouse.com/wp-content/uploads/2020/03/Public-Equity-Sustainable-Investment-Policy.pdf>

Corporate Governance

As responsible investors, Gresham House take the subject of corporate governance very seriously and believe good corporate governance is a key aspect of delivering shareholder returns. Our private equity approach to public companies means that we naturally have a greater level of engagement with investee companies and we seek to influence and encourage the businesses we invest in to adopt strong corporate governance principles.

Corporate Governance Principles

Board composition

- The number of Non-Executive Directors (excluding the Chairman) should at least equal the number of Executives Directors.
- The Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.
- There should be a split between the role of CEO and Chairman.
- We accept that in the case of smaller companies where significant strategic change is taking place there is a case for an Executive Chairman role to be established as a temporary measure.
- The role of the Senior Independent Director is becoming increasingly important in ensuring good governance. All Boards should appoint a Senior Independent Director who should be available for communication with shareholders independently of the Chairman and the Executive Directors.
- Led by the Senior Independent Director the Non-Executive Directors should formally review the performance of the Chairman at least annually, in consultation with shareholders.
- The Head of the Audit Committee should be a qualified accountant and, where possible, have recent and relevant financial experience of senior financial roles in a corporate environment.
- We support the annual re-election of Directors which we believe should be adopted by all plc's regardless of size.
- Except in exceptional circumstances Non-Executives should serve for a maximum of nine years.
- Directors should hold shares in their companies which they have bought on the market.

Public Company's Strategy

- Corporate strategy and the principal risks in the business should be communicated clearly to all shareholders.
- Boards should involve all significant shareholders in the determination of group strategy and changes in strategy or direction should only be made after consultation with key shareholders.
- Boards should disclose and publish consistent and quantifiable metrics by which they believe the delivery of this strategy can and should be measured.

Executive remuneration

- Remuneration structures should align Executives and shareholders' interests as closely as possible.
- Incentive schemes should extend beyond the Executive Directors to all key Executives.
- Variable remuneration should be determined by clearly defined performance metrics which are aligned with the company's strategy.
- Packages should be heavily performance based and competitive when compared to private equity style packages.
- We favour long term Total Shareholder Return ("TSR") based schemes which reward Executive Management a proportion of the absolute value created for shareholders beyond a well-considered hurdle rate and over a defined time period.

Capital structure and Allocation

- We believe the predominant concern of the Board should be the preservation and growth of shareholders' capital over the long-term.
- Share buy-backs are a legitimate and effective means of growing earnings per share while providing a cash return to shareholders.
- All companies should aspire to paying dividends and, in the absence of a stated dividend policy, should set out the reasons for not paying a dividend.
- Capital allocation decisions should be made based on risk-adjusted cash flow return on invested capital criteria which should be applied consistently across the group.
- Boards of public companies should also address the company's capital structure on an ongoing basis.
- We do not support the right of public companies to issue equity without pre-emption rights for existing shareholders.
- Where companies request the authority to issue more than one third of their existing equity in such a manner we will vote against such resolutions.

Shareholder Communications

- Shareholder communications should be open, regular and consistent.
- Shareholders should be given the opportunity to visit company premises and to meet Senior Executive employees who may not be Board Members.
- Shareholders should at all times have access to the Chairman, Senior Non-

Executive Director and other Non-Executive Directors.

- The results of shareholder votes, including the percentage of votes cast in each direction, should always be disclosed in a timely manner.

Documents and Circulars

- All documents, presentations and circulars should be made available on a company's website as soon as reasonably practicable after the issue thereof.
- Shareholders should be able to access document archives from the Company's website.

Gresham House Asset Management Limited
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