TROY
ASSET MANAGEMENT

Troy Asset Management Ltd
("Troy")

Responsible Investment Policy

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1. **Scope of this policy.** This document addresses Troy's policy on Responsible Investment with a particular focus on the use of environmental, social and governance factors in Troy's research process, Troy's confirmation of its broad support for the principles of to the Stewardship code, the firm's policy on engagement and on (proxy) voting, and Troy's status as a signatory to the UN Principles for Responsible Investment.

2. Troy's Process and Philosophy

2.1. All of our strategies follow the same investment philosophy. Our aim is to protect investors' capital and to increase its value year on year. We believe that those who have money should first concentrate on not losing it. Our approach is conservative with attention always paid to the downside risk of any investment. We eschew unnecessary complexity and our portfolios are constructed without reference to any benchmark. This independence from benchmarks and emphasis on protecting our investors' capital, rather than chasing returns, allows us to ignore market noise and stick to our core investment principles. Our competitive advantage is found in our distinct investment approach and the discipline and patience to practise it throughout the investment cycle.

3. Stewardship Code

3.1. The FCA's Conduct of Business Sourcebook[1] requires Troy to make a public disclosure regarding our broad support for the principles of the UK Stewardship Code[2]. Troy has produced a disclosure statement detailing how Troy applies the seven principles of the stewardship code. They are that institutional investors, such as Troy, should:

3.1.1. Publicly disclose their policy on how they will discharge their stewardship responsibilities;

3.1.2. Have and publicly disclose a robust policy on managing conflicts of interest in relation to stewardship;

3.1.3. Monitor their investee companies;

3.1.4. Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value;

3.1.5. Be willing to act collectively with other investors where appropriate;

3.1.6. Have a clear policy on voting and disclosure of voting activity; and

3.1.7. Report periodically on their stewardship and voting activities.

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[1] COBS 2.2 of the FCA Handbook
[2] UK Stewardship Code as published by the Financial Reporting Council (September 2012)

3.2. Troy's full statement in relation to the UK Stewardship Code can be accessed on Troy's website[3].

4. Environmental Social and Governance risks within the Research Process

4.1. The principle of preserving investors' wealth means that Troy is first committed to properly assessing the risks of any potential investment, even before trying to quantify the potential return. A significant part of this process is to properly understand and assess as many of the factors that may impact the long-term returns from a particular business. It is within this context that that our research team seeks to assess environmental, social and governance (ESG) factors as part of a wider set of factors that influence our decision to invest.

4.2. Troy defines its approach as the analysis of ESG risks that pose a material risk to the potential long-term returns received by investors. For such a risk to be material, both the probability of a detrimental impact on the value of an investment and the magnitude of that impact must be non-de minimis. We do not seek to define or limit the risk categories but rather appreciate that such analysis must necessarily take place in the context of the wider assessment of risk. A sample of some, but by no means all, of the areas in which we may want to assess the impact of ESG factors are as follows:

4.2.1. The damage that ESG failings can have on brands and reputations.

4.2.2. The strengths of a firm's culture and ethical policies, particularly in relation to bribery, extortion and corruption and its exposure to end markets where this represents an elevated risk.

4.2.3. The risk of fines or legal action relating to breaches of regulation and conventions relating to social standards of practice, in particular in reference to discrimination in the work place.

4.2.4. The risk of fines or legal action relating to breaches of regulation and conventions relating to environmental standards of practice.

4.2.5. The exposure of a company's revenues to changing attitudes to the environment in particular with reference to a company's approach to environmental challenges, its approach to environmental responsibility and its approach to the use of environmentally friendly technologies.

4.2.6. The sustainability of a company's employment and manufacturing practices and therefore margins. In particular reference to the freedom of employees to associate and collectively bargain, and the use of forced, compulsory or child labour.

4.2.7. The exposure of a firm and its products to regulatory change borne out of increased social and environmental awareness.

4.2.8. The alignment of managers with shareholders and the incentives and remuneration plans that support that alignment.

4.2.9. The upholding of shareholder rights.

[3] Troy's website can be found at www.taml.co.uk

4.3. Many of the above risks are based on the Ten Principles of the UN Global Compact[4]. Where we believe these factors pose a material and probable risk to the returns available to investors we may demand to be compensated for those risks by investing with a greater margin of safety. In certain circumstances we may, on weighing the risk reward profile, choose not to invest, but the identification and assessment of ESG risks does not in itself preclude investment in a stock. If our perception of these risks increases in relation to a company in which we are already investors, we would aim firstly to resolve the issue through engagement with management and, failing that, to divest.

4.4. **External ESG Research**. Troy currently receives external ESG specific research from EIRIS who also provide the screening service that supports the Trojan Ethical Income Fund. The vendor provides Troy with research, news flags and company ratings relating to ESG factors on a proportion of the companies within Troy's investment universe. Troy is also in the process of retaining the services of a proxy research provider that will provide governance research on all Troy's holdings. The selected provider is also likely to provide additional insight into environmental and social risks as part of the service. The selection of external research providers will be reviewed every 2 years.

4.5. **Organisational responsibilities for ESG research**. The analysis and understanding of ESG risks is to be the responsibility of all members of the investment team. The manager of the Trojan Ethical Income Fund is responsible for the implementation of the screening process applied to that fund. In conjunction with Troy's Chief Investment Officer (CIO) he is also responsible for development of Troy's responsible investment policy, the integration of this policy within the wider research process and the provision of adequate analytical support to this process, either external or internal.

4.6. **Screening**. We do not conduct negative or positive screening as an integrated part of Troy's broad investment process except with respect to the Trojan Ethical Income Fund. The latter employs negative screening in accordance with its published ethical investment criteria.

5. Monitoring and Engagement of Investee Companies

5.1. **General**. The firm has a long-term investment horizon and as such takes its responsibilities as a steward of assets seriously. A large proportion of the Investment Team's time is spent on monitoring investee companies to ensure they remain suitable for the firm's portfolios. The process requires the analysis of financial results, an assessment of any changes in capital allocation and an appraisal of management's financial incentives. Regular meetings with the management of investee companies form a part of this process where discussions can take place about corporate strategy and the use of a company's resources. Troy is careful to select companies that have the business strength and corporate governance that does not require the intervention of shareholders to deliver the expected investment returns.

5.2. **Criteria for formal engagement**. Members of the investment team may, however, seek to influence management through more formal engagement when they believe it is in the best interests of shareholders. To date governance issues have been the predominant driver of Troy's engagement. We would always aim to conduct such engagement proactively and as part of an investee company's decision making process but we are also willing to engage

[4] The ten principles of the UN Global Compact can be found at https://www.unglobalcompact.org/what-is-gc/mission/principles

reactively where a company has taken a course of action that conflicts with our standpoint. Any engagement will have to meet the following criteria:

5.2.1. We have a clear objective in engaging with a company

5.2.2. The mater for engagement must be material

5.2.3. Troy has sufficient influence or insight to have an impact on policy at the investee company.

5.2.4. That engagement with the company is constructive

5.3. **Format of engagement**. This may be via meetings, emails letters or telephone calls with IR, the executive team, members of the board and/or the chairman. Any such engagement would be conducted by the core investment team and fund managers rather than by a segregated ESG or Engagement team. This process ensures that any engagement is conducted in the context of the broader investment process thus delivering an integrated and consistent message to management teams.

5.4. **Priority of engagement**. Our preference is to invest in companies that do not require significant shareholder engagement. This limits the frequency with which we would anticipate having to engage with companies. As such we do not envisage having to prioritise one engagement over any other.

5.5. **Acting collectively with other investors.** The firm has felt in the past, and may again feel, that it is appropriate to act collectively with other investors, in order to achieve greater influence, while any discussion with management remains productive. However, it is not compatible with the firm's investment objectives to engage in hostile or public disputes with the boards of investee companies. The liquidity of the Firm's investments prevents this from becoming a necessity.

5.6. **Escalation**. Where concerns persist unaddressed, the firm may, where it has authority to do so, seek to exercise voting rights on behalf of the underlying investors to vote against management or may consider the sale of its holding.

5.7. **Recording and Disclosure**. Troy's engagement record is logged and records are kept of engagements highlighting the objective, outcome, and any lessons learned. It is not currently Troy's policy to disclose the firm's engagement track record.

6. **Policy on voting and disclosure of voting activity**

6.1. **General**. The firm considers (proxy) voting an important part of the firm's stewardship activities and investment process and aims to use its voting rights to safeguard our investor's interests. The firm seeks to instruct votes on all resolutions on behalf of clients/investors for which it has voting authority. The firm seeks to always vote in what it considers to be the best interests of its investors.

6.2. **Policy**. Votes are cast in line with management unless it is decided, on a case by case basis, that investors' interests are better represented by either abstaining or voting against management. To date we have not felt that any universally applied and prescriptive policy can adequately reflect the best interests of long-term shareholders and have preferred to take a case-by-case approach, only voting against management in exceptional circumstances.

6.3. **Proxy voting and engagement**. We recognise that whenever possible it is preferable to ensure that voting on any resolution is incorporated as part of the wider engagement with management. Troy's preferred course of action would be to have dialogue with any company ahead of casting a vote against management.

6.4. **Platform**. Voting is conducted through ProxyEdge.

6.5. **Publication of voting records**. Voting records are retained and can be made available to investors on request from ProxyEdge. It is not currently the firm's policy to disclose publicly its voting records in the same way it is not the firm's policy to disclose publicly its holdings.

6.6. **Review**. Troy is currently in the process of reviewing its (proxy) voting procedures with the aim of ensuring that shareholders' interests are represented to the very best of our ability.

7. **Conflicts**. Troy recognises that there is the potential for conflicts of interest to arise in the course of engagement and voting. Such conflicts are separately addressed in Troy's conflicts of interest policy.

8. **UN Principles for Responsible Investment**. As part of the firm's commitment to responsible investing Troy became a signatory to the United Nations' Principles for Responsible Investment in September 2016.

9. **Review and oversight of the policy.** The firm's engagement policy, voting policy and broader responsible investment objectives will be reviewed annually and approved by Troy's CIO. The manager of the Trojan Ethical Income Fund will report to Troy's board in relation to Troy's Responsible Investment Policy.