

City Financial Investment Company Limited

UK Stewardship Code

City Financial regards corporate policy as integral to our investment process, and the following note explains our compliance with the UK Stewardship Code.

Ownership and UK Stewardship Code

The UK Stewardship Code, overseen and published by the Financial Reporting Council in 2012, sets out the requirements for institutional investors in the UK to meet ownership obligations in respect of their holdings of UK equities. City Financial adheres to the UK Stewardship Code, both in the UK, and in its investments in international businesses, with reference to local practice and law.

Policy on operation of stewardship responsibilities

It is of the utmost importance to City Financial's investment process to take into account each investee company's ability to create and sustain value. Therefore it is our responsibility to both question and challenge companies regarding issues we perceive may affect this value.

City Financial, as appropriate as a part of our investment process, may engage and vote on the shares owned by one of the funds we manage. This should include any issue which in our opinion may affect the long term sustainable value of a company in which one of our funds is invested. The resources used for such an engagement will be considered according to the circumstances and potential impact of each cause. Issues may include, but are not limited to, management, governance, remuneration, corporate and social responsibility, financing and capital allocation, business strategy, acquisitions and disposals, operations, internal controls, and risk management.

The extent of our intervention and the extent to which we would attempt to effect change would depend on the specific situation. City Financial's primary focus would be on issues we consider material to the value of the investee company's shares.

Implementation

City Financial's corporate policy will be implemented first and foremost through meetings, where appropriate, with company management. These may include further communication with executives, the communication of resolutions at general meetings or the requesting of additional meetings. These additional engagements may be in relation to specific issues or as part of the general, regular contact with companies in which one of City Financial's funds is invested.

Monitoring of these companies will occur periodically, typically around financial reporting and general meetings, but may occur for whatever reason at the behest of the City Financial team.

Voting

Our general policy is to support the management of the companies in which we are invested, provided the resolutions in our opinion preserve or enhance the best interests of shareholders. We will vote in favour of a shareholder resolution at our discretion when we are asked to do so by management, but in cases where we consider the proposals are not consistent with the interests of shareholders we will vote against the resolutions, although in situations where mitigating circumstances apply we may abstain from voting.

In determining how to vote, City Financial will consider that company's circumstances, performance, governance, strategy and personnel. We may also take advice from third parties whom we have appointed to provide voting services.

Reporting

Due to the nature of the investments held by City Financial's funds, it is likely that votes will rarely be cast. If a vote is cast against the management's proposals and we are happy for that vote to be disclosed, City Financial will publish the vote on our website for a period of time. City Financial takes the view that effective engagement must sometimes be confidential, as public exposure is less likely to resolve issues.

Working with other shareholders

City Financial may share views and ideas with other institutions, as there are occasions when it is better to work with other shareholders to effect change. This may involve meeting a company's management jointly with other shareholders, or using the services of third-party membership organisations or other collaborative or informal groups.

Conflicts of interest

City Financial's policy regarding conflicts of interest will usually involve our voting in the interest of our clients. Where there is a conflict of interest between a client and City Financial, we will either take advice from our voting service, obtain approval from the client, or obtain approval with written justification from City Financial's CEO. In the case of a Director of City Financial being also a Director of an investee company, we will vote in accordance with the voting service's recommendations.

UK Corporate Governance Code

Although City Financial will support UK companies which comply with the Code in matters of corporate governance, in situations where a UK company does not comply with the code, we will liaise with the company to understand their reasons for non-compliance and react accordingly.

Please contact City Financial's Investor Relations Team (InvestorRelations@cityfinancial.co.uk) or +44 20 7451 9600 for further information and for those interested in collective engagement.