

Threadneedle's Compliance Statement on The UK Stewardship code

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

Threadneedle publicly discloses our Corporate governance and Sustainable and Responsible Investment policy on our corporate website www.threadneedle.com.

The policy includes details on our commitment to active monitoring and dialogue with our investee companies. These discussions take place at management and at the board level. We continue to develop our engagement activities and we aim to engage with all holdings where appropriate. Further details can be found under Principle 4.

The policy also includes procedures of how Threadneedle integrates environmental, social and governance (ESG) criteria into the investment process. Exercising our stewardship activities through engagement with our investee companies also benefits our investment analysis and is used as core inputs to the investment decision-making process.

Our proxy voting policy forms part of the Corporate Governance and Sustainable and Responsible Investment policy. Our policy and approach are detailed further under Principle 6.

We apply our principles across the equity investment departments covering all markets globally. Our ESG analysis and engagement tend to be biased towards UK and European companies but we cover all geographies and also work closely with the Far East, Japanese and the US teams. We have an evolving commitment to expand our stewardship activities across asset classes.

2. Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

Our firm-wide conflict of interest policy includes a consideration of stewardship and situations where conflicts may arise. The policy is publicly available upon request and is included within all investment management agreements (IMAs).

Our approach to managing conflicts of interest in relation to stewardship is also disclosed separately in our Corporate Governance and Sustainable and Responsible Investment policy. In cases where the company in question is also a client, or potential client, we adhere to the following procedure:

The Head of Governance and Responsible Investment will meet with the analyst for the stock and the relevant Equities Desk Head to discuss the situation and define our approach based on the specific circumstances

The relevant Desk Head is responsible for our final engagement and voting decisions, and must ensure that our course of action will best serve the interests of our entire client base.

Whilst the Relationship Manager for the client, or potential client, is informed of the decision, they are not involved in deciding our course of action.

3. Institutional investors should monitor their investee companies

We monitor our investee companies through periodic reviews. Stock reviews form a holistic assessment of business, drivers, financials, corporate governance and social and environmental drivers and is a primary starting point for raising issues for further engagement. Similarly, sector and thematic analysis are tools for identifying potential concerns. The corporate governance structure is reviewed separately on an annual basis, during analysis of proxy documentation for Annual General Meetings.

Following these reviews we assess whether further engagement is needed. We have an evolving commitment to monitor the effectiveness of this process and currently track specific engagement results. We are working towards quantifying the result of our engagement and to do this we need to understand the relationship between sustainability, ESG, price and value. The long-term nature of ESG issues, however, means that shorter-term market movements can be completely separate to longer term ESG trends.

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

Threadneedle is committed to engagement and active ownership. We aim to exercise our influence in a positive and responsible manner, working in partnership with the companies we invest in. We regularly meet with management and board members to develop a two-way flow of information. We hold companies accountable to their corporate promises through periodic reviews (as per Principle 3) where we then take a view on whether to engage. Monitoring of continuous improvement is a key element of our engagement process.

We have an evolving commitment to formalize the circumstances under which we will engage and as above, aim to keep track of successful engagement where possible. Currently we engage where we find it appropriate to do so, on a variety of areas including corporate governance, environmental and social issues. We do so both individually and in collaboration with other investors.

Primarily proactive engagement is focused on significant holdings, as it is here that we believe we can be most effective and add value. We also target companies where specific concerns have been identified following our reviews, or where our clients specifically request engagement.

We prefer engagement over divestment and we do not operate a firm-wide exclusion list, but regularly hold meetings with management and their advisors. We are very careful with our use of public media to force change, but have requisitioned extraordinary general meetings and supported shareholder resolutions.

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

We act collectively on environmental, social and governance issues primarily through our involvement with the Association of British Insurers (ABI), the United Nations Principles for Responsible Investment (UNPRI) and the United Kingdom Sustainable Finance and Investment Association (UKSIF) as well as the European Social Investment Forum (EUROSIF). These organizations represent a broad set of geographies, cultures and interest groups. We benefit from the diverse inputs and knowledge transfer through these forums, but are equally careful to select engagement initiatives that are aligned with our investment philosophy and objectives in the best interest of our clients.

The issues we primarily address include board composition, remuneration, environmental and social issues, and shareholder-filed AGM resolutions. We consider wider industry themes and developments, as well as individual companies in our discussions. These issues are addressed in the context of the economic environment and other business drivers.

We disclose our policy and procedures on collective engagement in our Corporate Governance and Sustainable and Responsible Investment policy. Our engagement activities are carried out with due regard to our conflicts of interest policy as well as an assessment of whether we need to apply our procedures regarding acting in concert.

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

We publish our proxy voting and corporate governance procedures publicly through our [“Sustainable and Responsible investment and Corporate Governance policy”](#).

We seek to vote all shares held and currently vote globally in 42 markets. We work to eliminate the legal and logistical barriers to voting and work alongside our back office and proxy providers to optimize the operational process and ensure it runs smoothly. We tend to employ proxy voting to carry out our stewardship activities but have the capability to attend the meetings in person should we wish to do so.

Threadneedle operates a comply-or-explain approach. We do not automatically support management, but use our external proxy providers alongside our own analysis to make an informed voting decision. We regularly ask companies for clarification and the rationale behind various environmental, social and governance practices prior to voting. We consider this information in the context of the company's circumstances, market conditions and local governance practices and accordingly take a view on our voting intentions.

We use proxy voting as a tool for which to support good governance practices which we believe is a cornerstone to long-term shareholder value. We therefore aim to engage with our investee companies on contentious issues where appropriate (as per Principle 4). In addition to contacting companies prior to voting, we also formally address concerns after casting our vote. We continue to monitor companies with particular issues.

We provide detailed reports to clients on votes where we have been unwilling to support the management at General Meetings or supported management in apparent violation of our principles. However, it will not always be in the interest of long-term value creation to fully disclose sensitive company assessments or engagements to the public, and we exercise our discretion in this matter.

We disclose general voting activity publicly on a quarterly basis (see below) and we review our level of disclosure in this area annually.

7. Institutionally investors should report periodically on their stewardship and voting activities

We produce a quarterly report on our stewardship and proxy voting activities, which is publicly available on our website www.threadneedle.com. The review includes detailed examples of ESG integration activities, investment implications and provides a broad overview of our proxy voting activities. We state how many resolutions we have voted, in which markets and give an indication of how many resolutions we have opposed as well as the major reasons for contentious votes.

We will consider including an externally audited version of our stewardship processes in our SAS 70 going forward. Threadneedle uses the SAS 70 as opposed to the AAF 0106 because our parent company, Ameriprise, is regulated under US law.

For further information on implementation of the UK Stewardship Code at Threadneedle and details on our approach to collective engagement, please contact our Governance and Responsible Investment Analyst, Cathrine de Coninck-Smith.