McInroy & Wood

PERSONAL INVESTMENT MANAGERS

McInroy & Wood Limited - Stewardship Engagement Policy

Introduction

This document sets out how McInroy & Wood undertakes stewardship when engaging with investee companies.

The policy has been written in accordance with the requirements of the Shareholder Rights Directive II as well as the Financial Reporting Council's (FRC) UK Stewardship Code 2020 ("Code"). While McInroy & Wood is not a signatory to the Code, we support the initiative and follow the twelve principles as outlined below.

The Code defines stewardship as: "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society" and lists the following activities as coming within the meaning of the term:

- Analysis before investment.
- Monitoring assets and service providers.
- Engaging issuers and holding them to account on material issues.
- Working with others to influence issuers, and with others to manage market-level risks.
- Publicly reporting on the outcomes of these activities.

Purpose and Governance

Principle 1 – Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Careful stewardship is integral to the ethical code which governs our dealings with clients and investee companies. Further details are included in our Statement on responsible investing.

Experience suggests that better investment results are best served by a long-term investment approach with a focus on quality, rather than by slavishly following current market trends. As a result, we seek to invest in companies with sustainable growth prospects, strong and established business models, sound balance sheets, and often a growing stream of dividends.

We attach vital importance to the calibre of the people running the businesses in which we invest and as part of our stewardship activities, are in touch with them on a regular basis. These discussions allow us to develop an understanding of a company's corporate culture as well as to build our knowledge of the business strategy, risk, performance and capital structure.

Generally, we prefer to influence conduct as active and concerned shareholders and proxy voting can form part of our stewardship activities. All proxy voting decisions are made internally by the investment team to ensure that they are consistent with the best interests of our clients.

Principle 2 – Signatories' governance, resources and incentives support stewardship.

McInroy & Wood is owned by its directors and employees, and therefore we are not influenced by the demands of external shareholders. The firm's ownership structure and strong collegiate culture have shaped its governance and working environment and recognises the intrinsic worth of principled behaviour.

Strategic and operational decisions are made by the board of directors, all of whom are shareholders.

An investment team of fifteen, including eight directors, share responsibility for the firm's investment activity. Investment policy is set and regularly reviewed by all the senior investment staff collectively. A collegiate approach also governs stock selection and monitoring. Clients benefit from a consistent approach to management of their portfolios rather than being exposed to the decisions of an individual investment manager.

The collaborative and happy environment promoted within McInroy & Wood is considered a key factor in motivating staff to achieve the best they can for clients. Over time, the strong relationships and trust which this has fostered with clients has contributed to our growth and profitability. The remuneration structure is designed to support this collegiate culture and long-term focus. There is no bonus element to remuneration for directors. For the directors, as shareholders, dividends represent the reward for sustainable positive performance by the company as a whole. Other staff benefit from a profit related pay scheme which again is dependent on the company as a whole performing well.

Principle 3 – Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Our independence not only allows us to preserve a consistency of investment approach, it ensures that we are not subject to many of the conflicts that may affect many large financial institutions.

We have a documented policy for the management of conflicts of interest. Where a conflict is identified, we seek to manage it in an objective manner, acting in the best interests of clients and ensuring they are treated fairly.

All staff must adhere to the conflicts of interest policy. Training is provided on the policy as part of new employee inductions and annually thereafter. A register is also maintained to ensure that significant conflicts have been identified, addressed and recorded.

Principle 4 – Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

The assessment of risk, including relevant market-wide and systemic risks, as well as potential reward forms an important part of our investment policy and stock selection processes.

Our investment team has a long collective experience of investing in global investment markets. They are also familiar with the long-term, inter-generational interests of clients. These factors underpin our assessment of risk and consistency of approach.

For more than a quarter of a century, our whole approach to ethical issues has been based on consideration of how best we could make a difference to the world in which we practise. Where appropriate, we make specific concerns known directly to executives of investee companies.

Detrimental impacts on wider society are often better addressed at government and consumer policy levels. Such concerns may be best expressed in collaboration with other like-minded investment shareholder groups or their trade bodies. McInroy & Wood is a member of the Investor Forum and the Institutional Investors Group on Climate Change ("IIGCC") and has access to bodies capable of exerting a considerable collective influence on corporate conduct.

Principle 5 – Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Investment policy is set and regularly reviewed by all investment staff collectively.

This Stewardship Policy is reviewed annually by the Director of Investment and Chief Executive Officer. The policy is also subject to compliance monitoring.

Investment Approach

Principle 6 – Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

McInroy & Wood has always taken a holistic view of its responsibilities to clients and to wider society. Clients' considerations, constraints and circumstances are agreed in advance, and reviewed annually.

A record of engagement with investee companies, including voting activity, is maintained.

Our approach to social responsibility and ethical considerations are discussed in our regular investment review meetings with clients. However, we do not report separately to clients on our stewardship activities.

Principle 7 – Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Our standard procedure is to review the operations of any company (or investment category) under consideration for activity potentially hurtful to consumers, wider society and the environment. Companies exhibiting evidence of such activity may be excluded from consideration for (continuing) investment.

Our ethical concerns may extend to commercial or industrial companies as a group and in such cases whole categories may also be avoided. Tobacco companies and arms manufacturers have been two such sectors which we have, as a matter of principle, long chosen to avoid. Companies involved as a group in usurious lending would likewise fall into such a category, as would the gambling sector.

Principle 8 – Signatories monitor and hold to account managers and/or service providers.

We invest directly around the world and not in third-party funds. We prefer to retain full control over and accountability for our investments. By investing directly, we can also ensure asset allocation and stock selection remains consistent with the determined strategy.

Engagement

Principle 9 – Signatories engage with issuers to maintain or enhance the value of assets.

For the majority of portfolios we manage, there is a common primary objective, being the preservation of the real value of clients' capital and its purchasing power over time. We invest directly in a balance of high-quality international equities, government bonds, gold and cash.

By investing directly in a concise list of stocks, we can ensure that selection remains consistent with a long-term approach and a focus on quality.

Regular and thorough monitoring of investee companies forms an integral part of our investment process, both prior to investing and on an ongoing basis. This includes speaking to the senior management of businesses, voting at AGMs, carrying out extensive internal research and using external information where appropriate.

All members of the investment team are involved in this process. A record of engagement with investee companies is maintained.

Principle 10 – Signatories, where necessary, participate in collaborative engagement to influence issuers.

We do not outsource our stewardship responsibilities to any other party.

Where appropriate, views may be expressed in collaboration with other like-minded investment shareholder groups or their trade bodies. McInroy & Wood is a member of the Investor Forum and were instrumental, by seeking the engagement with other like-minded investors, in getting industry bodies to make changes to the way in which microplastics were being handled and managed in the supply chain.

Our approach is not limited to financial strategy, and environmental concerns have always formed an integral part of our investment process. Any collective engagement is always subject to ensuring adherence to regulatory rules around 'concert parties'.

Principle 11 – Signatories, where necessary, escalate stewardship activities to influence issuers.

Our engagements with an investee company not only seek to scrutinise the business model and growth strategy, but also provide opportunities to raise any concerns. These concerns could relate to anything that causes us to question the company's long-term investment prospects.

If we felt that the issue could not be raised with the executive management, we would consider speaking with senior non-executives, if appropriate.

Exercising rights and responsibilities

Principle 12 – Signatories actively exercise their rights and responsibilities.

The shareholdings we manage on behalf of clients are on the whole de minimis in terms of a company's overall share capital.

All votes are reviewed on a case-by-case basis. We endeavour to vote on areas ultimately benefitting our clients, for example, the remuneration of directors.

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