



UK Stewardship code Heartwood's commitment

A. Introduction

Heartwood Investment Management, a division of Heartwood Wealth Management Limited ("Heartwood"), is an active, global multi-asset investor, managing assets for both retail and professional clients. Heartwood acts as discretionary manager for clients, offering a choice of segregated portfolios and Multi Asset Funds (MAFs) and is the manager of the CF Heartwood range of MAFs. We also have a small number of Custody & Execution and Advisory portfolios.

The UK Stewardship Code (the "Code") is published by the Financial Reporting Council (FRC), the UK body responsible for promoting high quality corporate governance. The Code sets out good practice standards for institutional investors, such as investment managers, for their dealings with the UK-listed companies in which they invest. The FRC recognises that not all parts of the Code are relevant to all institutional investors and that small institutions (such as Heartwood) may judge that some aspects are disproportionate to their business.

This policy sets out Heartwood's commitment to the Code and how we have applied its seven principles.

B. Investment Approach

Heartwood is committed to sound principles of corporate governance and efficient exercise of our governance responsibilities in the context of our activities as an investment manager.

Heartwood has a number of core Investment Strategies, each of which has a model portfolio against which client portfolios are managed. There are central positions constructed from a range of asset classes – these central positions form a starting point for our investment decisions. Client portfolios are constructed using appropriate financial instruments including but not limited to collective investment schemes, debt and equity securities issued by governments, corporates and leading investment banks. All MAFs are also managed in line with the prevailing Heartwood Investment Strategy.

Interpretation of the Investment Strategy for each model/MAF is determined on a team basis. The Investment Manager for each model/MAF is responsible for detailed implementation decisions but must consult with relevant colleagues on specific asset class and fund/product exposures.

There are minimum and maximum exposures for each type of investment within each asset class. Any breach of these constraints within a model will be notified to the Chief Investment Officer (CIO) and must be approved by him.

Heartwood does not undertake proprietary trading (i.e. trading for Heartwood itself) and therefore any exercise of rights in investee companies is in respect of shares held as agent.

Heartwood seeks to invest in collective investment schemes and the securities of companies that are themselves well managed and demonstrate a high standard of corporate conduct, responsibility and governance, thereby creating an appropriate culture to enhance long-term shareholder value. We aim to act in the best interests of all our stakeholders by engaging in constructive dialogue with the companies we invest in and by exercising our voting rights with care.

C. Compliance with the UK Stewardship Code

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

Heartwood's policy is to take an active approach to share ownership rights and responsibilities on behalf of our clients. We consider the high level corporate governance arrangements for the companies we invest in and engage with the management of these companies as appropriate to the size of our holding. We assess the performance of management and whether or not shareholder and management interests are aligned.

The behaviour of investee companies and information (e.g. price, news flows, peer/competitor behaviour) is continuously monitored as part of our investment process. We actively monitor all of the investments made on behalf of Heartwood clients, including regular, direct contact with the company. We will contact the board directly if we detect a change in behaviour or attitude towards the governance of the company or if we discover something that gives us cause for concern.

Voting decisions are made by the Heartwood Investment team on a case by case basis. Our standard policy is to support the directors of the investment company/business with whom Heartwood is invested but this is not automatic and we will challenge as we deem appropriate. We take reasonable steps to vote proxies on behalf of accounts for which we have voting authority, in consideration of clients' best interests.

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

We recognise the importance of managing potential conflicts of interest on behalf of our clients. A summary of Heartwood's Conflicts of Interest Policy is provided within our Terms of Business which is provided to all clients during set up of our relationship with them. There is also a comprehensive Conflicts of Interest Policy document which may be provided to clients who request more detailed information.

Where conflicts of interest on voting or engagement exist, Heartwood will act in the best interests of the majority of its clients, in accordance with the regulatory responsibility to treat all customers fairly.

In all circumstances where Heartwood exercises voting rights on your behalf, Heartwood will seek to act in your best long term interests and will act independently of its parent company, Svenska Handelsbanken AB (publ).

Principle 3: Institutional investors should monitor their investee companies

Research and analysis, which form part of Heartwood's initial and ongoing due diligence process, seek to identify areas of risk or concern in the governance and economic control of the investment company. We endeavour to identify issues at an early stage to minimise any loss of shareholder value.

We would consider explanations given for the departure from the UK Corporate Governance Code and make reasoned judgements on a case by case basis, entering into a dialogue with the company if we do not accept their position.

All investments are monitored on a regular, ongoing basis by Heartwood's Investment team with the aim of satisfying ourselves (as far as reasonably practicable) that the investee company has effective board and committee structures, with independent and adequate oversight. Monitoring includes analysis of direct communications from the company, face to face meetings, research, observations by third party analysts and specialist media.

Regular meetings with investee companies are an important part of our investment process and allow us to question and challenge companies about issues that we perceive may affect their value. Heartwood is frequently in a position to engage the board and senior management of most investee companies directly, often in one to one meetings. We maintain records of all private meetings held with companies, the rationale for voting and votes cast.

We rarely, if ever, wish to be made an insider and state this clearly to those with whom we are engaged. If this is unavoidable we have internal inside information procedures which restrict the flow of such information and which must be adhered to.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities

Should an issue be identified (e.g. where we have concerns about the company's strategy, performance or governance), Heartwood will usually raise this directly with the senior management of the investee company on a confidential basis. If appropriate, we may liaise with other shareholders.

If the investee company does not respond constructively then Heartwood's Investment team, under the guidance of the CIO, would consider the appropriate further action to take. Depending upon the circumstances, this could include:

- holding additional meetings with management specifically to discuss concerns;
- expressing concerns through the company's advisers;
- meeting with the chairman, senior independent director, or with all independent directors;
- intervening jointly with other institutions on particular issues;
- possibly requisitioning an Extraordinary General Meeting (EGM), in some cases proposing to change board membership.

As we usually own only minority shareholdings in investee companies we would not normally make a public statement in advance of the AGM or an EGM or submit resolutions at shareholders' meetings as, on our own, we do not hold sufficient shares for this to be effective.

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

We have no objection in principle to working with other shareholders from time to time but will consider any specific action on a case by case basis.

When seeking to resolve any issue our preference is to achieve this in a manner which is not detrimental to our own holding, whilst acting in accordance with the concept of treating all customers fairly and mindful of legal and regulatory requirements regarding conflicts of interest, the use of inside information and acting in concert with other parties.

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

Heartwood's policy on voting rights is set out in the Terms of Business which is provided to all clients.

As the majority of Heartwood's investments are in Collective Investment Schemes (CISs), we are rarely required to vote as we do not directly hold investments in the underlying constituent companies.

When necessary, Heartwood may attend and/or vote at company shareholder meetings. We will not automatically support the board but our general stance is to support proposed board resolutions and we will seek to challenge where we believe it is appropriate to do so. In such cases where Heartwood does vote, we vote in what we consider to be the best interests of our clients.

In general, Heartwood only votes on EGM resolutions where:

- Heartwood clients have a material interest in the outcome of the resolution or action and/or for the protection or enhancement of their shareholder value and beneficial interest.
- Holdings of Heartwood's clients are material to the outcome of the resolution or action.

We usually vote via proxy form directly to the appropriate Registrar. However, we may also appoint an individual as our proxy to attend and vote at the meeting. Currently we vote on less than ten meetings a year.

Heartwood use Proxy Edge for notification of votes and voting in relation to our MAFs.

We do not publicly disclose voting records as we believe that this information belongs to the clients on whose behalf we have voted and not the wider general public.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities

It is not Heartwood's current policy to report routinely to clients on how we have discharged our responsibilities under the Code.

We do not publish voting records as we do not consider that this would always be in our clients' interests and because we believe that this information belongs to the clients on whose behalf we have voted. We may disclose and report such matters in confidence directly to clients on request but this would be after sufficient time has passed to ensure the disclosure does not influence the outcome of any discussions.

For further information on Heartwood's implementation of the UK Stewardship Code please contact:

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