



UK Stewardship Code | Heartwood's Commitment

A. Introduction

This document outlines Heartwood Investment Management's (**Heartwood**) approach to stewardship and responsible investing in line with the seven principles of the UK Stewardship Code (the **Code**).

The Code sets out the principles that the Financial Reporting Council believes that institutional investors should aspire to when engaging with investee companies. The aim of the Code is to help improve long-term returns to shareholders by encouraging quality and effective engagement between institutional investors and investee companies.

About Heartwood

Heartwood Investment Management, a trading name of Heartwood Wealth Management Limited (**Heartwood**) is an active, global multi-asset investor, managing assets for retail, institutional and professional clients.

We manage a number of multi-asset funds (**MAFs**). The MAFs are managed in accordance with Heartwood's overarching investment strategy and the risk profile of each MAF. The MAFs are managed against a strategic asset allocation model personal to each MAF, which acts as a framework for portfolio construction. The framework outlines the 'standard' allocation to each asset class in portfolios (including cash, collective investment schemes, bonds, warrants, deposits and money market instruments), and individual investment managers will construct portfolios using the framework as a guideline.

We seek to invest in collective investment schemes and the securities of companies that are well managed, demonstrate a high standard of corporate conduct, responsibility and governance, and have regard for key themes such as climate change, diversity and corporate culture to enhance long-term shareholder value.

B. Commitment to the UK Stewardship Code

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

We have a robust investment process that ensures we are making investment decisions in line with our philosophy and commitment to investing responsibly. We seek to consider environmental, social and governance (**ESG**) risks and opportunities in our investment selection and monitoring purposes. The Investment team conduct and consider thorough research on potential investee companies prior to approval, including corporate governance standards. We consider a well-managed company to:

- demonstrate strong and effective management;
- maintain shareholder rights and an appropriate ownership structure;
- ensure shareholders receive sufficient periodic reporting and other meaningful updates and information;
- have a robust approach to executive remuneration aligned with shareholder interests; and
- consider ESG factors and other ethical standards.

We take an active approach to corporate governance and investment monitoring, which includes company engagement and proxy voting to ensure we are acting within the best interest of our clients to enhance the long-term value of their investments. The Investment team continuously monitor the behaviour of investee companies and other information e.g., price, news flows, peer/competitor behaviour. We will contact the company's management directly if we detect a change in behaviour or attitude towards the governance of the company or if we have other substantial concerns. Our level of engagement with companies will be proportionate to the size of our holding. We seek to engage with companies privately; however, there are circumstances under which we may need to collaborate with other shareholders.

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 have a robust conflicts of interest policy which is regularly reviewed and updated as necessary. Clients are provided with a summary of our conflicts of interest policy within their Terms of Business when we establish a relationship with them. Our full conflicts of interest policy is disclosed to clients should they request further information.

We maintain a comprehensive and detailed conflicts of interest register that records all potential conflicts of interest and the measures taken to mitigate and/or avoid those conflicts. All employees are made aware of their duty to avoid a conflicts of interest situation and, if it is not possible to do so, they will report such matter to our Compliance and Risk teams. We maintain a number of policies that employees are obliged to adhere to including, but not limited to, personal account dealing rules, outside business interests, inside information and a gifts and entertainment policy.

There are a number of ways in which we manage conflicts of interest including, but not limited to, robust procedures for disclosure of any outside business interests, reporting process for any information that may be considered inside information, and a pre-approval requirement for any personal account dealing.

We seek to identify and manage any conflicts of interest that may arise when voting decisions need to be made. Examples include, but are not limited to:

- Heartwood or its employees have a personal or business relationship with the proponent of a proxy proposal;
- Heartwood employees have personal holdings in the relevant company; and/or
- Heartwood or its employees have a personal or business relationship with one or more of the participants in a proxy vote (e.g., corporate directors).

In the event that a material conflict of interest is identified when a voting decision needs to be made, we will act in the best interests of the majority of our clients, in accordance with our regulatory responsibility to treat all customers fairly.

Principle 3: Institutional Investors should monitor their investee companies

We have established and follow a robust investment monitoring progress and conduct thorough initial and ongoing due diligence. Through active research and analysis, we seek to identify any issues/risks/concerns at an early stage regarding ESG, corporate culture or other factors which may negatively impact shareholder value. Monitoring includes analysing direct communications from the company, face to face meetings, research, observations by third party analysts and specialist media.

The Investment team meets regularly to specifically discuss strategy, performance and any issues or concerns that have arisen with regard to a particular holding. Any issues will be addressed and discussions will be ongoing to determine the best course of action. We believe it is important to maintain regular contact with investee companies to ensure that their values and strategy is aligned with our interests and the interests of our clients, and we will question and challenge companies about issues that we perceive may affect their value. We maintain records of all interactions with investee companies, rationale for voting decisions and votes cast.

We rarely, if ever, wish to be made an insider and we 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 which all of our employees must adhere to.

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

As part of the initial research process and ongoing investment monitoring, the Investment team meets with company management to gain an insight into management quality, business strategy, and their core business values. These meetings are an opportunity to assess risk exposure to ESG and stewardship factors and how the investee company manages and mitigates against such risks.

Should an issue be identified (e.g., where we have concerns about the company's strategy, performance or governance), we will usually raise this directly with the company's senior management on a confidential basis. In some cases, particularly if the company does not respond constructively, we would consider taking further action which may include:

- expressing concerns through the company's advisers;
- meeting with the company's chairman or other non-executive directors;

- collaborating with other investors; and/or
- requisitioning an Extraordinary General Meeting (**EGM**), in some cases proposing changes to board membership.

In most cases, we hold minority shareholdings in investee companies and, therefore, we would not normally make a public statement in advance of the AGM or EGM or submit resolutions at shareholders' meetings as, on our own, we do not have a large enough holding to have a meaningful impact.

In exceptional circumstances, we may sell our holding at any time in order to protect our clients' best interests.

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

We recognise that there may be circumstances where it is more effective to collaborate with other investors to implement change. We have no objection in principle to working with other shareholders from time to time but will consider whether to take such action on a case by case basis, assessing whether it is necessary in order to protect our clients' best interests.

Before collaborating with other investors, we will consider a number of factors including: materiality of the issue, the size of our position, the potential impact on our investment if such issue is not resolved, and the probability of a successful outcome. We are always mindful of our legal and regulatory obligations regarding conflicts of interest, 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

Our policy on voting is set out in our Terms of Business which is provided to all clients when we enter into a relationship with them.

Where necessary, we may attend and/or vote at company shareholder meetings. Our default position is not to exercise our voting rights in the ordinary course of business for our discretionary managed assets; however, we will seek to challenge proposed shareholder resolutions where we believe it is appropriate to do so. For example, we will exercise our voting rights where:

- the proposed resolution does not uphold good standards of corporate governance;
- a material change to the investment mandate is being proposed;
- there is a proposed C share class issuance;
- a board member is being appointed or dismissed and we feel it warrants our vote;
- our clients have a material interest in the outcome of the proposed resolution; and/or
- should the proposed resolution be passed, it would have a negative impact on shareholder value and contradict our clients' best interests.

We seek to ensure that all proxies are voted in the best interest of our clients and that proxy voting activities are carried out in accordance with all applicable rules and general fiduciary principles.

Typically, any voting is overseen by the relevant investment analyst that is responsible for the research and ongoing monitoring of that security. The analyst will complete a thorough assessment of the proxy items and bring a recommendation to the Investment team for consideration who will, if thought fit, approve such recommendation.

In the event that we do vote, we will usually do so via proxy form directed to the appropriate Registrar. Alternatively, we may appoint an individual as our proxy to attend and vote at the meeting.

Currently we vote on less than ten meetings per year.

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

We endeavour to be transparent on our approach to stewardship and, where appropriate and permitted, will make our stewardship and voting activities available to our clients.

We aim to review our stewardship and voting activities annually, and may update this statement and/or any related policies to reflect any material changes. Specific individual client voting activities are deemed confidential and are only reported to clients as requested, or as required by law.