

INTRODUCTION

In this document Cedar Rock Capital Limited provides important information regarding our interaction with the management of our investee companies for the benefit of our clients and investors.

In Section 1 we provide our Shareholder Engagement Policy pursuant to UK version of the EU Shareholder Rights Directive II and in Section 2 we describe the nature of our commitment to the UK Financial Reporting Council's Stewardship Code.

1. Shareholder Engagement Policy

In accordance with the FCA's implementation of the EU Shareholder Rights Directive II ("SRD II"), we are required to describe how we engage with the companies in which we invest on behalf of our clients, including how we monitor these companies, and to disclose certain of our voting activities in respect of these companies.

As set out under SRD II, our practices concerning the key principles of shareholder engagement follow.

➤ *Our investment strategy*

We are long-only investors in quoted equities. We specialise in high-quality businesses. We define quality as the ability of a business to sustain a high-unleveraged return on its capital. We concentrate on businesses with clear opportunities to grow indefinitely while generating high returns on the capital required for growth. We prefer businesses that would make a high return on their shareholders' equity, even if they were debt free.

An important part of our quality strategy includes trying to limit management risk. The future compounding of our investments depends in part on managements' luck, skill, probity and their ability to reinvest cash flows generated by their companies sensibly.

Those businesses that meet our quality criteria and whose free cash flow yields compare favourably with long term interest rates are considered for inclusion in the portfolio. Our preferred combination of quality, value, managerial skill and probity is hard to find: we only own about 20 stocks around the world at any moment. Our preference is to buy-and-hold great businesses for the long term and, therefore, our portfolio turnover is very low by industry standards.

➤ *How we integrate shareholder engagement into our investment strategy*

In effect, we subcontract our portfolio to the boards and managers of the companies in which we invest. For our portfolio to continue to compound over time, we need our investee companies to maintain the discipline to make the investments – not just in capital expenditures, but also future-oriented operating expenditures on market research, product and service innovation, market development and brand building – required to underwrite growth at high returns over the long term in a rapidly changing world.

Engagement with company management is therefore an essential part of our investment process. We meet regularly with company management and attend company shareholder events such as capital market days, quarterly conference calls and other roadshows.

In scrutinising a company as a potential investment, should we find that we have major disagreements over strategy, capital allocation or operating philosophy, our practice is simply not to invest in the first place. If such divergence develops after we have invested in a company, then we consider selling the holding.

➤ *How we conduct dialogues with investee companies*

Cedar Rock has no operational or capital control over its investee companies. Simply, we do not invest in companies requiring strategic or operational intervention. Our engagement with our investee companies is not for the purpose of participating in the formulation, determination, or direction of their business decisions which is the preserve of company management. Our focus is primarily on capital allocation and capital distribution.

We see it as one of our responsibilities, as shareholders, to promote sound incentives for managers to think and act as if they were the long-term owners of their businesses. We therefore share with senior management, remuneration committees and interested parties our views on sound remuneration policies. We believe that managers (i) should act like owners, (ii) be encouraged to balance growth and returns and (iii) be paid for what they manage. We measure the incentives and mechanisms proposed by remuneration committees against these three principles. We always meet with remuneration committees when they consult with investors.

It is our policy generally not to be restricted by the receipt of sensitive non-public information and therefore our dialogue with companies is conducted in such a way as to manage and mitigate the risk of being provided with price sensitive non-public information.

➤ *How we monitor investee companies*

We continuously monitor investee companies on a range of factors including all aspects of their corporate governance and sustainability taking into account company strategy, financial and non-financial performance and risk, capital structure and management response to matters important to their consumers and customers, such as social and environment issues.

Our ongoing monitoring involves the internal analysis of publicly available data provided by investee companies, regulatory authorities, the news media, research providers and consultants, as well as the input from company meetings and events as described above.

➤ *How we exercise our voting and other shareholder rights*

Proxy voting is an important way for us to engage with management teams of our investee companies. We translate our investment philosophy directly into the voting decisions we make at annual general meetings of shareholders. We vote all proxies in accordance with our Proxy Voting Policy with our Portfolio Managers being responsible for determining how to vote. We do not utilise the services of an external proxy voting adviser or in-house corporate governance specialist.

As our investment philosophy is premised on investing in high quality companies with good overall governance, we will typically vote with management. However, where we believe management's recommendations are not in the long-term best interests of our clients, for example in relation to their remuneration policies, we will vote against such proposals.

We have adopted proxy voting procedures that are designed to ensure that we act in the best interests of our clients. For clients that do not want proxy voting for their account, and have indicated this in writing to us, it is

our policy to abstain from voting such proxies. We will identify and address any conflicts of interest between Cedar Rock, its staff and its clients.

We do not publicly disclose our voting record for reasons of confidentiality and the risk of disclosure of sensitive portfolio information. We do provide information on our voting activities to our clients on request.

➤ ***Cooperation with other shareholders***

We engage with companies directly and on a confidential basis strictly for the purposes of carrying out research into and monitoring of investee companies. We do not seek to ascertain other shareholders' views in relation to our investee companies and it is our practice not to cooperate and/or vote in concert with other shareholders.

➤ ***How we communicate with relevant stakeholders of our investee companies***

Communications typically are not undertaken with stakeholders e.g. company employees, bondholders, trade unions, customers and/or suppliers, but in the event that this was considered appropriate, communication would be undertaken in the same way and with the same controls as if we were talking to the company itself.

➤ ***How we manage actual and potential conflicts of interest in relation to our engagement***

As a fiduciary, we have a duty to place the interests of our clients before our own. We maintain policies designed to avoid or manage conflicts of interests. The key policies that we have adopted which address conflicts of interests that may arise in relation to our shareholder engagement include our Code of Ethics, Conflicts of Interest Policy and our Proxy Voting Policy, as well as policies relating to the UK Bribery Act and Market Abuse, including insider dealing.

Our Code of Ethics, *inter alia*, places a strict prohibition on our staff and their related persons from trading in the securities of our investee companies or of companies contemplated for our client accounts and/or any security that is on our restricted list, in the unlikely event that we have been made an 'insider'. More generally, no personal trades in securities may be undertaken where a conflict of interest arises.

It is our policy that our staff may not engage in any external business activities or associations unless these are not inconsistent with the interests of our clients. We do not permit our staff to hold any executive position with an investee company. We also require our staff to report any instance of a family member serving as an officer, director, or partner of a public or private company so that we may assess and manage any conflicts of interest arising.

Additionally, our staff may not accept from any person any benefit or inducement which might be seen as conflicting with their duties to Cedar Rock or to any of our clients. We permit minor non-monetary benefits such as conferences/seminars/training events relevant to our investment business, and hospitality of a *de-minimis* value. Business entertainment and gifts are similarly subject to strict restrictions on value and frequency. All instances of gifts (given or received) to third parties, if not *de-minimis*, must be reported, as must all instances of third-party business entertainment.

2. UK Stewardship Code Disclosure

Pursuant to Rule 2.2.3R of the FCA's Conduct of Business Sourcebook, we are required to include on our website a disclosure about the nature of our commitment to the UK Financial Reporting Council's Stewardship Code (the "Code") or, where we do not commit to the Code, our alternative investment strategy. The Code is a voluntary code and sets out a number of principles relating to engagement by investors with investee companies.

Cedar Rock pursues a long-only, buy-and-hold global equity strategy and engages with its investee companies, as described in our Shareholder Engagement Policy above. While Cedar Rock generally supports the objectives that underlie the Code, it has chosen not to commit to the Code. We take a consistent approach to engagement with issuers and their management in all of the jurisdictions in which we invest and, consequently, we do not consider it appropriate to commit to any particular voluntary code of practice in any individual jurisdiction.