Stewardship Statement

1st July 2017

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Pyrford International

BMO Global Asset Management

1. Scope

Pyrford International (Pyrford) is a provider of global asset management services for pension funds, charities, endowments and foundations. We have regulatory permissions to provide our services in the UK, EEA, USA, Canada and Australia.

The company has been operating from its base in London since 1987. In 2007 we became a wholly owned subsidiary of BMO Financial Group but maintain full autonomy and independence in investment management and client servicing.

Pyrford is a global institutional investor in high quality companies and government bonds. Many of the jurisdictions we invest in place responsibilities on investors to promote and support good governance in the companies we invest in, which ultimately help improve long-term returns to shareholders.

This stewardship statement applies across all jurisdictions we invest in. However, it is tailored specifically to meet stewardship requirements in the UK.

2. Policy Statement

In the UK, the Financial Reporting Council (FRC) have published a Stewardship Code (the Code), which is a set of principles and guidance for effective stewardship by investors. Under the UK Financial Conduct Authority's conduct of business rules, we are required to publicly disclose our commitment to the Code, or if we don't commit to Code disclose an alternative strategy. Commitment to the Code is on a 'comply or explain basis'.

Pyrford is fully committed to the Stewardship Code and complies with all its principles. The principles are designed to protect and enhance long-term shareholder value, which Pyrford fully supports. In addition we also fully commit to the UN supported Principles for Responsible Investment.

3. Principles of the Code

The Stewardship Code has 7 principles which are designed to protect and enhance long-term shareholder value. Under these principles, institutional investors should:

1. Publicly disclose their policy on how they discharge their stewardship responsibilities;
2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed;
3. Monitor their investee companies;
4. Establish clear guidelines on when and how they will escalate their stewardship activities;

   Be willing to act collectively with other investors where appropriate;
5. Have a clear policy on voting and disclosure of voting activity; and
6. Report periodically on their stewardship and voting activities.

Principle 1

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

Guidance

Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on those matters as well as on issues that are the immediate subject of votes at general meetings.

The policy should disclose how the institutional investor applies stewardship with the aim of enhancing and protecting the value for the ultimate beneficiary or client. The statement should reflect the institutional investor's activities within the investment chain, as well as the responsibilities that arise from those activities. In particular, the stewardship responsibilities of those whose primary activities are related to asset ownership may be different from those whose primary activities are related to asset management or other investment-related services.

Where activities are outsourced, the statement should explain how this is compatible with the proper exercise of the institutional investor's stewardship responsibilities and what steps the investor has taken to ensure that they are carried out in a manner consistent with the approach to stewardship set out in the statement.

The disclosure should describe arrangements for integrating stewardship within the wider investment process.

Our approach

Investment process

Pyrford has been an active manager of international equities for 30 years. We take a long-term view with all investment decisions and are neither short-term traders nor speculators. The average holding period of a company at Pyrford is over 8 years. The average tenure of our portfolio managers is comfortably above this, giving us the opportunity to maintain ongoing dialogues with the management of investee or potential investee companies. We always meet management prior to investing and thereafter visit at least once a year. Discussions with management cover a wide spectrum of topics and aim to improve our understanding of company strategy and competitive positioning as well as to encourage companies to act in the long-term interests of all their stakeholders. Regular access to executive management is a key part of our investment process and we encourage management to provide regular trading updates to the market in order to improve transparency as much as possible.

Company engagement

Our portfolio managers act as the main point of contact with investee companies and are responsible for maintaining investment recommendations based on fundamental research. We will only invest in a company once we have met with management and, once invested, we commit to meeting management at once a year. Management meetings focus on earnings over a five-year investment horizon, though a particular focus is given to the way companies interact with all of their industry stakeholders (customers, employees, shareholders and others) to ensure that all are treated fairly and a positive relationship is maintained with the company. Additional engagement would take place where there were concerns that a company may be acting to enhance short-term profitability at the expense of long-term sustainable earnings. A framework for escalating engagement is outlined under Principle 4. Management is also expected to demonstrate an awareness of the environmental impact of their operations.

Voting

We conduct stewardship activities in-house and also subscribe to a proxy voting governance research service, Institutional Investor Services (ISS), who contribute to our voting analysis. We actively vote all proxies in line with our voting policy or a client's instructions. Details of our voting policy are communicated to all new and potential clients. We regularly review existing voting guidelines and the implementation of these guidelines in the voting process. Clients are provided with bespoke reports outlining voting activities carried out in their name and the direction of all our voting activities is now available via a dedicated portal on our public website.

ESG matters

We purchase specialist Environmental, Social and Governance (ESG) research to assist with the analysis and understanding of the issues faced by individual companies as part of the engagement process. Our investment team meets monthly to discuss a number of factors affecting the portfolios we manage (see Principle 3 for more detail). ESG issues are discussed formally at these meetings. In addition an ESG working group (the Pyrford ESG Forum), led by a senior member of the investment team, has been formed with representatives from all departments to ensure that we remain on a path of constant improvement regarding ESG and Stewardship activities.

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.

Guidance

An institutional investor's duty is to act in the interests of its clients and/or beneficiaries. Conflicts of interest will inevitably arise from time to time, which may include when voting on matters affecting a parent company or client.

Institutional investors should put in place, maintain and publicly disclose a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of their client or beneficiary first. The policy should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.

Our approach

Pyrford is part of BMO Global Asset Management, a brand name for various affiliated entities of BMO Financial Group that provide investment management services. While we are part of a diversified financial service group, we operate as an independent boutique firm and our only business is of asset management. It is our policy to always act in the best interests of all our clients. We do not invest client funds in shareholdings of the Bank of Montreal, or any investment fund offered by a member of the BMO Financial Group

As a result, we believe that we are considerably less likely to encounter situations where our interests conflict with those of a client. However, we acknowledge situations may arise that would lead to concerns over potential conflicts of interest between Pyrford and a client, or between one client and another. Such considerations are included in and covered by our firm-wide Conflicts of Interest Policy, which addresses how conflicts are identified, recorded and managed. All conflicts of interest are reported to the Compliance Officer and reviewed by Pyrford's Regulatory and Compliance team. Where we feel that a conflict cannot be adequately managed, the issue is escalated to senior management and disclosures made to clients.

We review our Conflicts of Interest Policy every year and arrangements to manage conflicts every six months. The policy forms part of the investment management agreement we have with clients and is publicly available on our website (www.pyrford.co.uk).

All of our employees are required to adhere to our Code of Ethics Policy and are responsible for maintaining the very highest ethical standards when conducting business. In keeping with these standards, employees must always place the interests of our clients ahead of those of the firm and their own interests.

Potential conflicts of interest that are closely monitored from a stewardship perspective include:

- Conflicts arising from varying proxy voting guidelines – where clients have individual and differing proxy voting guidelines votes are submitted for each resolution according to the number of shares held by each client;
- The interests of our employees conflict with the interests of our clients – we require employees to disclose all interests which may give rise to a conflict, these are then evaluated by the Regulatory and Compliance team;
- Investment in shares of our parent company – as an investment policy we do not invest in any equity or debt issues of the Bank of Montreal.

Principle 3

Institutional investors should monitor their investee companies.

Guidance

Effective monitoring is an essential component of stewardship. It should take place regularly and be checked periodically for effectiveness.

When monitoring companies, institutional investors should seek to:

- Keep abreast of the company's performance;
- Keep abreast of developments, both internal and external to the company, that drive the company's value and risks;
- Satisfy themselves that the company's leadership is effective;
- Satisfy themselves that the company's board and committees adhere to the spirit of the UK Corporate Governance Code, including through meetings with the chairman and other board members;
- Consider the quality of the company's reporting; and
- Attend the General Meetings of companies in which they have a major holding, where appropriate and practicable.

Institutional investors should consider carefully explanations given for departure from the UK Corporate Governance Code and make reasoned judgements in each case. They should give a timely explanation to the company, in writing where appropriate, and be prepared to enter a dialogue if they do not accept the company's position.

Institutional investors should endeavour to identify at an early stage issues that may result in a significant loss in investment value. If they have concerns, they should seek to ensure that the appropriate members of the investee company's board or management are made aware.

Institutional investors may or may not wish to be made insiders. An institutional investor who may be willing to become an insider should indicate in its stewardship statement the willingness to do so, and the mechanism by which this could be done.

Institutional investors will expect investee companies and their advisers to ensure that information that could affect their ability to deal in the shares of the company concerned is not conveyed to them without their prior agreement.

Our approach

Given our long-term time horizon and fundamental approach to investing, monitoring of management, performance and governance of investee companies is embedded within our investment process. Meetings and conference calls with company managements and on-site company visits are routine elements of our research process. Less frequently, we interact with board members of investee companies. Notes and insights from these meetings are recorded in standardised stock sheets, in which a score is awarded for corporate governance (ownership structure, voting structure, accounting disclosure and governance track record) and environmental, social and governance (ESG). We also subscribe to MSCI ESG for research into the ESG impacts of investee companies. When a company's MSCI rating falls the reasons for it are discussed by the full investment team and when that rating falls to B or CCC an "out-of-cycle" engagement takes place with the company to identify why.

Our investment professionals do not actively seek material, non-public information, though they may receive it, through meetings with company management. If this occurs, the Compliance Officer is notified who then reviews the situation and is authorised to take measures designed to protect our firm and our personnel from unlawful trading or the appearance of unlawful trading based on that information. Those measures can include the imposition of information barriers or a restriction on trading in the relevant securities.

Should a company depart from the best practice laid out in the UK Corporate Governance Code, we would consider the company's explanation on a case by case basis. We would consider the following:

- The reason for departing from the Code and any specific circumstances impacting the company;
- Any prior events when the company departed from the Code and the explanation provided;
- The views of our investment professionals in assessing any impact on company strategy and our opinion of company management;
- The extent to which the company has been receptive to shareholder concerns previously.

Principle 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.

Guidance

Institutional investors should set out the circumstances in which they will actively intervene and regularly assess the outcomes of doing so. Intervention should be considered regardless of whether an active or passive investment policy is followed. In addition, being underweight is not, of itself, a reason for not intervening. Instances when institutional investors may want to intervene include, but are not limited to, when they have concerns about the company's strategy, performance, governance, remuneration or approach to risks, including those that may arise from social and environmental matters.

Initial discussions should take place on a confidential basis. However, if companies do not respond constructively when institutional investors intervene, then institutional investors should consider whether to escalate their action, for example, by:

- Holding additional meetings with management specifically to discuss concerns;
- Expressing concerns through the company's advisers;
- Meeting with the chairman or other board members;
- Intervening jointly with other institutions on particular issues;
- Making a public statement in advance of General Meetings;
- Submitting resolutions and speaking at General Meetings; and
- Requisitioning a General Meeting, in some cases proposing to change board membership.

Our approach

Engagement with investee companies is maintained as part of a rolling programme of annual research visits. However when a matter of concern arises ahead of a scheduled meeting a clear framework of engagement escalation will apply, provided in the table below.

Level	Comments
Level 1	Investor Relations contacts through email, call or meeting.
Level 2	Divisional or executive management via call, meeting or in writing.
Level 3	Vote against relevant resolutions if presented to shareholder meetings.
Level 4	Board member - in writing or by call or meeting if available.
Level 5	Collaborative engagement with other shareholders.
Level 6	Sponsoring or co-sponsoring resolutions at company meetings.

Portfolio managers responsible for our holding in an investee company will decide the speed with which engagement is escalated based on the materiality of the concern and any key dates relevant to the concern.

To facilitate escalation to levels 5 and 6 we have recently joined The Investor Forum, a group established to facilitate dialogue between shareholders and companies in the UK. Where we find similar organisations operating overseas we will consider joining these too.

Examples of recent engagements with companies are published annually in our ESG report which is available on request and on our website: www.pyrford.co.uk.

Principle 5

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

Guidance

At times collaboration with other investors may be the most effective manner in which to engage. Collective engagement may be most appropriate at times of significant corporate or wider economic stress, or when the risks posed threaten to destroy significant value.

Institutional investors should disclose their policy on collective engagement, which should indicate their readiness to work with other investors through formal and informal groups when this is necessary to achieve their objectives and ensure companies are aware of concerns. The disclosure should also indicate the kinds of circumstances in which the institutional investor would consider participating in collective engagement.

Our approach

Where an issue of concern has arisen at a company and we have failed to influence management acting privately we will consider acting in co-operation with other investors.. Before deciding, consideration will be given to relevant laws, regulations and client guidelines as well as the alignment of other shareholder views.

Our approach to intervention is based purely on our assessment of what would be in the best interests of our clients. The issue being pursued will almost always be directly relevant to either the performance or the valuation of the business in question.

Principle 6

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

Guidance

Institutional investors should seek to vote all shares held. They should not automatically support the board.

If they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution. In both instances, it is good practice to inform the company in advance of their intention and the reasons why.

Institutional investors should disclose publicly voting records.

Institutional investors should disclose the use made, if any, of proxy voting or other voting advisory services. They should describe the scope of such services, identify the providers and disclose the extent to which they follow, rely upon or use recommendations made by such services.

Institutional investors should disclose their approach to stock lending and recalling lent stock.

Our approach

We seek to submit a proxy vote on all shares held by clients. In taking a proxy voting decision we take information from a range of sources including material from the company, internal research and the voting advisory service (ISS – Institutional Investor Services). Proxy votes are considered individually and are voted according to our view of a client's best interests. However if a client provides us with their own voting policy we will ensure votes representing that client's holding are voted in line with their policy, irrespective of how we are voting for other clients. Votes cast are conveyed to clients as part of periodic portfolio reports and are now available in an anonymous form via a searchable database on our website www.pyrford.co.uk. The reason for voting against management, when this occurs, is presented here too. Pyrford does not engage in stock lending for clients. Where a client arranges their own lending programme directly with a custodian we will vote the maximum percentage of their shareholding available on the voting deadline date.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities.

Guidance

Institutional investors should maintain a clear record of their stewardship activities.

Asset managers should regularly account to their clients or beneficiaries as to how they have discharged their responsibilities. Such reports will be likely to comprise qualitative as well as quantitative information. The particular information reported and the format used, should be a matter for agreement between agents and their principals.

Asset owners should report at least annually to those to whom they are accountable on their stewardship policy and its execution.

Transparency is an important feature of effective stewardship. Institutional investors should not, however, be expected to make disclosures that might be counterproductive.

Confidentiality in specific situations may well be crucial to achieving a positive outcome.

Asset managers that sign up to this Code should obtain an independent opinion on their engagement and voting processes having regard to an international standard or a UK framework such as AAF 01/062. The existence of such assurance reporting should be publicly disclosed. If requested, clients should be provided access to such assurance reports.

Our approach

In addition to face-to-face discussions with clients and tailored reporting to them on an individual basis we published our first annual ESG report in June 2017. This report is available on our website www.pyrford.co.uk and includes reporting on all proxy voting and engagement as well as a comprehensive description of the ways ESG issues are considered in our investment process. Our internal controls, including those concerning proxy voting arrangements, are subject to independent, external audit through the annual completion of an Audit and Assurance Faculty (AAF) 01/06 report and we are working towards expanding the review to include the areas noted in the Stewardship Supplement in the future.

4. UN Principles for Responsible Investments

Pyrford supports and is a signatory to the UN Principles for Responsible Investment (UNPRI) as part of our approach to good stewardship.

Where aligned to our stewardship responsibilities, we commit to the following principles:

1. We will incorporate ESG issues into investment analysis and decision making;
2. We will be active owners and incorporate ESG issues into our ownership policies and procedures;
3. We will seek appropriate disclosure on ESG issues by the entities we invest in;
4. We will promote acceptance and implementation of the Principles within the investment industry;
5. We will work together to enhance our effectiveness in implementing the Principles;
6. We will report on our activities and progress towards implement the Principles.

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