



LOMBARD ODIER
INVESTMENT MANAGERS

The UK Stewardship code Compliance Statement Lombard Odier

Introduction

Under Rule 2.2.3R of the FCA's Conduct of Business Sourcebook, Lombard Odier Asset Management (Europe) Limited ("LOAM Europe" or the "Firm") is required to disclose the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the "Code"). The firm fully support the objectives that underlie the code as we consider our duty to integrate responsibility and sustainability into our decisions and into the investment solutions we offer our clients. We consider engagement as the ultimate way to enhance returns for our clients, who are shareholders of the companies in which we invest, and to comply with their values.

1. Institutional Investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

We want to express through full commitment with the UK stewardship code principles our strong determination in creating a permanent link between investment and good governance. We consider it as an opportunity to disclose our stewardship process and introduce our approach to fulfilling our fiduciary duties. This sense of responsibility belongs to the core values of our company and guide the daily conduct of our business since its inception. We aim to monitor that all invested companies are aware of sustainable issues and act responsibly, pledging to communicate openly its results and focus on protecting the shareholder interests.

LOAM Europe pursues a multi-strategy approach to investing across a variety of funds and accounts that involves it investing in global equities, including UK equities. The Code is therefore relevant to some aspects of the Firm's trading. The Firm invests in a variety of asset classes and in a variety of jurisdictions globally. The policies of the Firm in relation to engagement with issuers and their management are determined globally, on group wide basis. The Firm takes a consistent global approach to engagement with issuers and their management in all of the jurisdictions in which it invests. A review of the corporate governance practices of a potential investee company is part of our initial screening process and we only make an investment after we have conducted meetings with the management team. Once we have invested in a company, we hold regular meetings with management to discuss strategic, operational, risk and governance matters.

2. Institutional Investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed

LOAM Europe acts as a fiduciary in the best interests of its clients and is a functionally separate business within Lombard Odier Group. As an independent asset manager, the risk of conflict of interest is low but still may appear in relation with our stewardship activities (engagement and voting) and requires a special attention. The firm takes all reasonable measures to detect and prevent conflicts of interest which could arise during investment and/or related services. The Firm has thus set out a comprehensive policy to identify, report and assist in eliminating or managing conflicts of interest.

Potential conflicts of interest has been identified in relation with our stewardship activities, especially when exercising ownership rights of our clients, like voting at shareholder meeting. For instance, some of our clients may be linked to the companies for which we need exercise voting rights. We thus use an independent third party proxy voting vendor (ISS) that operate our votes automatically according to our corporate's guidelines. In case the Investment Manager decides not to follow an ISS recommendation, a committee will be convened in order to resolve the issue. This committee will be made up of the Investment Manager which is concerned by the decision to be taken, one director, the Compliance Officer and one Employee of the Department "Reporting, Domicile and Taxes". The decision taken by this committee will be actioned by the Department "Reporting, Domicile and Taxes".

To ensure the use of affiliated entities do not conflict with the funds and investors' interests, ISS will not provide recommendation for affiliated companies of ISS.

3. Institutional Investors should monitor their investee companies.

Our stock management and selection process includes a systematic consideration of good governance criteria. Our experienced fund managers persistently monitor the firms of their portfolios and they conduct continuous dialogue with senior managers of companies in which they invest. Our financial analysts, assisted by our SRI team when appropriate, address ESG issues during their meetings with the companies' board representatives to monitor their commitment with principles of good governance and to ensure ESG compliance. We indeed assume that all elements that may impact the performance and reputation of a company must be integrated in our investment decision process. Furthermore, our SRI teams collect extensive data on nearly 5,000 companies worldwide to assess their ability to manage their business sustainably in the best interest of their shareholders and for society as a whole. Our database is updated weekly and companies are reassessed regularly.

4. Institutional Investors should establish clear guidelines on when and how they will escalate their stewardship activities.

When governance of a company does not meet our standard requirements and does not consider the interest of our clients/shareholders, we may start a dialogue or reduce our holdings in the company. We also regularly engage a purposeful dialogue with invested companies at meetings on ESG matters (strategy, risk, corporate governance, culture, remuneration, environment, social etc.). This direct discussions with management and boards on ESG issues allows to share point of view and opinions. This dialogue helps improving long-term risk-adjusted returns to shareholders and promote the long term success of companies in such a way the ultimate providers of capital also prospers. Our voting activities at shareholder meetings also contributes to express our concerns if the company break the principles defined by our proxy-voter. Finally, when company's management and activities goes against our group policies' principles, we may disinvest totally.

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

In order to ensure constructive and beneficial dialogue with investee companies, and to contribute to their sustainable growth, our financial analysts have built a long term relationship with managements and share regularly our concerns on ESG matters.

Moreover, we are willing to participate to collective engagement on specific topics where appropriate and permitted by regulation and law. Each engagement process is treated individually and requires approval of Lombard Odier Group Investment Committee that gather Management executive board members and heads of SRI-related departments. We believe that collective action may enhance power, influence and legitimacy of engagement process. It may also increase the dialogue's quality with companies management, that do not have to deal with plenty of potentially divergent requirements from different asset managers.

The firm participates to engagement pools, that engages with company's management on our collective name through direct dialogue on specific ESG topics. We believe that collaborative initiatives enhance expertise by pooling resource and experience and bring a better access to companies' senior management.

6. Institutional Investors should have a clear policy on voting and the disclosure of voting activity.

Proxy voting and the analysis of corporate governance issues in general are important elements of the portfolio management services we provide to the clients who have authorised us to address these matters on our behalf. Our guiding principles in performing proxy voting are to make decisions that (i) favour proposals that in the Company's view tend to maximise Fund's shareholder value, (ii) are not influenced by conflicts of interest and (iii) factor the cost to the Funds (e.g. ballot charges or shareblocking). These principles reflect the Company's belief that sound corporate governance will create a framework within which a company can be managed in the interests of its shareholders. Moreover, Lombard Odier Asset Management ensures that the exercise of voting rights are in accordance with the investment objectives of the clients.

Lombard Odier has retained an independent third-party voting vendor (currently ISS) to assist in the implementation of certain proxy voting related functions. Among its responsibilities, the Proxy Service prepares a written analysis and recommendation of each proxy vote. Periodic due diligence meetings are conducted with the proxy voting service provider which include but are not limited to, a review of the proxy services, general organisational structure, new developments with respect to research & technology, work flow improvement and internal due diligence with respect to conflicts of interest.

A vote occurs automatically according to the recommendation of the voting platform of ISS. There are exceptions to this voting policy in case of important assets operations such as mergers / acquisitions, spin-off or liquidation. In these circumstances, portfolio managers are systematically involved in the decision process.

This Policy is made available via the website www.loim.com and the details of the voting actions are available on request free of charge.

7. Institutional Investors should report periodically on their stewardship and voting activities.

LOAM Europe utilizes a Proxy voting service (ISS) to assist in the implementation and administration of the Company proxy voting function. The proxy voting service assists us in the proxy voting service by providing operational, record-keeping and reporting services. ISS maintains a summary register of the votes exercised and the Dirigeants will prepare a report for the Board of Directors detailing voting undertaken. A description of the proxy voting strategy adopted by Lombard Odier and the details of the actions taken on the basis of this strategy may be obtained free of charge, upon request of the shareholders, from Lombard Odier Asset Management. Further details of the voting actions are available on request free of charge. Moreover, the Firm report annually on its participation to collaborative engagements through its UNPRI transparency reports: http://www.unpri.org/viewer/?file=wp-content/uploads/Merged_Public_Transparency_Report_Lombard-Odier-Asset-Management-Switzerland-SA_2014.pdf

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