
Corporate Governance Policy

CAZENOVE
CAPITAL MANAGEMENT

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Cazenove Capital Management 12 Moorgate London EC2R 6DA Telephone +44 (0)20 3479 1000

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Cazenove Capital Management Limited provides independent advice

Corporate Governance Policy

This statement sets out the policy that we follow in respect of those matters that generally fall under the heading of “corporate governance” in accordance with the requirements of the Statement of Principles drawn up by the Institutional Shareholders’ Committee and The Charity Investment Principles of the Association of Chief Executives of Voluntary Organisations.

Activism

We take an active interest in promoting best corporate governance practice among the companies in which we invest as we believe this will be beneficial to their performance and to the long term financial interest of the clients on whose behalf we act.

The nature of our business means that, realistically, our ability to influence the behaviour of companies is largely confined to the UK but we support initiatives to improve the standards of overseas companies in general and, specifically, we look to apply our policy across all the companies in which we invest. The standards of corporate governance and disclosure do vary considerably between countries and our action is often limited to active voting but in some countries even that may not be possible or practical.

We look to ensure that all companies in which our clients are invested comply with best practice in the market and act in the interests of shareholders. We are happy to be active in persuading companies to change and we do this through voting, through meetings with company management and, if necessary, through action with other shareholders.

Our ultimate sanction, of course, is to sell our clients’ shareholdings if we believe that this is in their best interests. Such a sale, if followed by other shareholders, may result in a lower rating for the company’s shares and therefore be the most effective way of inducing a company to change.

Policy

In deciding upon our position on such matters as remuneration, incentives and board structure, our general aim is to promote best practice but we recognise that a precise set of rules cannot fit every company’s circumstances and we wish to be flexible. In deciding upon best practice, we follow closely the guidelines issued by the Association of British Insurers (“ABI”) and the principles of the Combined Code but we do not feel bound to follow the recommendations of any particular body when we feel either a stricter or a lighter touch is appropriate. We strongly support the principle of pre-emption rights to protect our clients’ interests in companies from dilution.

Our policy is to act in the best interests of our clients at all times and this policy has to date spared us any difficulty over conflicts of interest. If we were to consider that such a conflict had arisen or was likely to arise, then we would seek our clients’ prior approval to our proposed course of action.

Monitoring

We expect to meet the management of the companies in which we invest at least once a year and, at those meetings, in addition to a discussion of the performance and strategy of the business, we would look to raise any matters of corporate governance about which we were concerned. We also subscribe to the Institutional Voting Information Service, which highlights matters of contention and non-compliance with the Combined Code.

Voting

We believe that the responsible use of voting rights is part of the process of preserving and increasing the value of the investments entrusted to our management and therefore, where our clients have agreed, we use our discretion in voting to achieve that aim. The majority of our institutional clients have given us this discretion and our policy is to vote on all occasions. Except as mentioned above, we do not regard abstention as a suitable way of expressing our views.

Intervention

We write to those companies where we wish to draw their attention to some action on their part with which we may disagree even though we may, at the initial stage, have not registered this disagreement through voting.

Where possible, our next step would be to vote against such action at the relevant shareholders' meeting. Such a move would generally be taken having consulted with the ABI as to the views of other shareholders.

The next step depends upon the nature of the problem and the relative size of our shareholding. If we are concerned that the action the company is taking will lead to a diminution in shareholder value in excess of what may already have taken place, then our most likely move will be to sell our clients' shareholdings. If this is not possible or the share price of the company has already fallen to a level that we believe largely discounts the negative effects of their action (which may be the reason that we have become a shareholder in the first place), then we will seek to change the company's behaviour through whatever means are available. This might be indirectly through the company's advisers, directly through meetings with management or non-executive directors or collectively through joint action with other shareholders.

Reporting

We provide clients with a quarterly report setting out our voting record on their behalf and explaining where and why we have voted against the recommendation of the directors or have not followed the recommendation of the ABI. In addition, we report on any significant matters of contention that we have raised with a company during the period.

Social, Environmental and Ethical Issues

Research into the social, environmental and ethical (SEE) stance of companies is being integrated within our investment process. We have resource dedicated to this area and conduct SEE research in a number of ways - from company meetings to purchasing SEE research. It is our belief that quality companies, operating at an environmentally and socially sustainable level are more likely to deliver long-term shareholder value.

Our research process therefore considers SEE issues when evaluating a company's suitability as an investment and, in particular, whether these are reflected in the stockmarket's valuation of its shares.

SEE issues are raised with companies in the same way as other matters that we consider may affect the long term financial interests of our clients and our policy of activism is applied.

Rights Issues

These are subscribed or not depending on the merits of the issue.

Take-overs

We believe that the decision to accept or support a take-over is an investment decision that we take with a view towards the long term interests of our clients.

Underwriting

We are active sub-underwriters, for those clients who have given us permission, and accept or reject offers of underwriting on the basis of whether we would be happy to buy the relevant security at the issue price at the time of underwriting.

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