



COMPLIANCE WITH UK STEWARDSHIP CODE

August 2016

This document sets out the approach by William Blair & Company, L.L.C. and its wholly-owned subsidiary William Blair International, Ltd. (collectively "William Blair") to responsible ownership, with regard to the guidelines set out in the UK Stewardship Code (the "Code") published by the Financial Reporting Council ("FRC") in July 2010. William Blair delivers active investment management to private clients, institutions and intermediaries. As well as management within funds, William Blair uses active asset allocation in managed portfolios to meet clients' diverse needs. Our funds and strategies cover a broad range of asset classes. We have a duty to act in the best interests of our clients and to protect and enhance the economic value of our clients' investments.

PRINCIPLE 1

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

At William Blair, we consider corporate governance to be one of many considerations that inform our investment decisions – inextricably linked with our fundamental assessment of the quality of corporate management and financial statements. As part of our research process, we evaluate the governance of potential investee companies, with a key focus on shareholder value creation, transparency, oversight and accounting policies. In order to assist us in this evaluation, we have formally integrated environmental, social and governance ("ESG") research into our process in a systematic fashion. The team complements its proprietary research with third-party vendors' data which is integrated into our centralized research platform and our formal company recommendation reports. Analysts document what they believe to be material issues in the recommendation reports, and therefore seek appropriate disclosures as a matter of course. If we believe disclosures are inadequate, we address our concerns with management and communicate our expectations for improvement.

We are not an activist investor. However, corporate governance and the treatment of minority investors are of significant importance to us. If we are not satisfied that a company has shareholder interests foremost in their thinking regarding their capital allocation and business practice decisions, then this would not be a company in which we would invest.

We hold regular meetings with the management of our portfolio companies to discuss issues including strategy, performance, business practices and have specifically engaged with several of them on issues related to corporate governance, such as controversial stock option plans and stock issuance proposals. For the most part, our engagement with companies is completed privately as we believe this allows us to be more open and frank, achieving the greatest impact.

Our guiding principle as an organisation is always to seek to act in the best long-term interests of – and seek value for- our clients. In line with this principle we will decide, on a case-by-case basis, whether our client's interests are best served by engaging with companies or by the sale of the shares of underperforming companies.

William Blair aims to vote all proxies on behalf of our clients who delegate to us voting authority. We have adopted and implemented specific voting guidelines designed to ensure that votes are cast consistent with our clients' best interests.

Upon a client's request, William Blair will make available a record of proxy votes cast on their behalf. Our proxy voting policy, guidelines, historical activity are available to the public on the mutual funds and SICAV websites.

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.

William Blair is an employee owned independent partnership providing investment management and investment banking services. Conflicts, actual or potential, which arise when engaging with investee companies and any subsequent voting activity, are managed within an objective framework to protect client interests. Our conflict of interest policies apply across our various business areas and all employees are expected to adhere to them.

Where William Blair itself has a conflict of interest with the fund, the client, or the company being voted on, we will follow the voting recommendations of a third party (which will be the supplier of our proxy voting processing and research service). Generally a conflict of interest may exist between business areas within William Blair, or its employees and clients, or between clients themselves.

Examples of conflicts of interest related to stewardship include (but are not limited to):

- where we are voting rights over securities which another area of the business may have a client relationship with;
- voting rights over placing shares or new issues on which our corporate finance team has acted as advisor;
- prevented from exercising voting rights over shares which are on our banned or restricted list sometimes due to our engagement activities.

Separation of processes and management between Investment Management and our Corporate Finance division helps to ensure we manage and mitigate conflicts by taking reasonable steps to avoid conflicts, implementing appropriate policies and procedures, maintaining information barriers, providing training to employees, and treating confidential information appropriately.

A copy of the William Blair Conflicts of Interest Policy and Code of Ethics is available from the Head of Compliance upon request. The William Blair Investment Management Limited Conflicts of Interest Policy is available on our website.

PRINCIPLE 3

Institutional investors should monitor their investee companies.

We believe ongoing monitoring is critical to ensure investee companies continue to meet our investment criteria and that fundamentals are not eroded. Research analysts are responsible for monitoring companies in their coverage through evaluation of written reports, discussions with external analysts and direct company contact. We also employ in-house quantitative models that we use to evaluate and monitor individual company fundamentals; looking for signs of risk or weaknesses such as extended valuations and deteriorating earnings.

We attempt to visit companies at least annually, and often see management teams more frequently at industry meetings and conferences. These contacts allow us to engage with investee companies on strategic, operational and “ESG” (Environmental, Social and Governance) matters. From a governance perspective, our areas of focus include transparency, shareholder value creation, oversight and ownership, remuneration and accounting policies. The relevance of all these issues varies by company.

After meeting with an investee company, the analyst will discuss the key outcomes with the team and will document the meeting and topics of engagement in our proprietary research management system, Summit. ESG research is also systematically integrated into Summit, so that our analysts can seamlessly reference and monitor ESG company factors. More broadly, Summit centralises all William Blair intellectual capital and integrates data from external vendors and plays a key role in helping analyst monitor investee companies.

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.

Engagement and continued dialogue with investee companies is an important part of our investment process. As discussed in Principle 1, corporate governance and management quality are a key focus prior to investing in a company and as a result, the need for intervention to enhance shareholder value is considerably limited. Yet there are instances where we may decide to engage on a particular issue, such as concerns over the board structure, sustainability of future earnings, etc. Such decisions are made on a case-by-case basis by our investment professionals and would depend on the materiality of the issues, responsiveness exhibited by the company to past communication and our assessment of whether such engagement is in the best interests of our clients. Engagement activities may include meeting with the company board or non-executive directors, completing proxy voting or on a rare occasion, participating in stakeholder dialogues.

Engagement always creates the risk of becoming an insider or receiving material non-public information, which may preclude us from dealing in the shares of the company concerned. If any material non-public information were received in the course of such meetings, Legal and Compliance would be consulted, wall crossing procedures applied and trading blocked. Hence, it is the interest of our portfolio teams to consider the effectiveness of engagement before doing so.

We are not an activist investor, as we believe that quiet, behind-the-scenes dialogue is usually a more effective and constructive approach to solving problems, avoiding the risk of damage to shareholder value caused by polarised public positions. In line with our low profile, we do not generally issue statements or campaign publicly on issues.

More generally if we have serious concerns regarding the company's governance and management quality we will not hesitate to sell the shares rather than intervene as we believe it is in the best financial interests of our clients. The appropriate course of action is ultimately at the discretion of our investment professionals.

PRINCIPLE 5

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

We are committed to increasing shareholder value by encouraging quality governance practices in investee companies. Wherever possible we seek to promote our views and achieve our objectives in a consensual and confidential matter. Whilst we recognise the potential benefits of working alongside other long term investors, there can be inadequacies in acting collectively with other institutional investors who may hold conflicting views on issues. Collective action is therefore not our preferred approach as the constraints of such a process may not be in our client's best interests. In the rare event that we choose to act collectively, such action would be subject to applicable laws and regulation in the relevant jurisdiction. The decision to act collectively would be considered on a case-by-case basis, but participation in a public campaign would be highly unlikely due to our preference for a low-profile approach.

Please refer to the contact details below regarding collective engagement.

PRINCIPLE 6

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

William Blair considers proxy voting an important part of its investment process, and as such, seeks to vote all proxies on behalf of clients in accounts for which it has proxy voting authority. We seek always to vote in the best interest of clients.

Our full Proxy Voting Policy, which details our voting guidelines, is available on our William Blair mutual funds and SICAV websites. We endeavour to accurately vote according to our guidelines in a timely manner.

We engage Institutional Shareholder Services (“ISS”), a subsidiary of MSCI Inc. and specialist independent corporate governance service provider. The independent analysis from ISS draws on best practice from around the world. Pursuant to our policies, William Blair votes in accordance with ISS recommendations unless our investment professionals determine the ISS recommendation is not consistent with our clients’ best interests.

In such cases, the investment professional’s recommendation is reviewed by William Blair’s proxy voting committee, which determines whether to accept or reject the recommendation. The voting process and decisions made are ultimately under William Blair’s control. With respect to separate accounts, there remains the option to independently manage the voting process.

For issues not covered by the voting guidelines or to be voted on a case-by-case basis, the proxy administrator will consult the Proxy Committee. The committee will review the issues and will vote each proxy based on information from the company, our internal analysts, and third party research sources, in the best interests of the clients in their capacity as shareholders of a company. The Proxy Committee consists of representatives from the investment management teams, including senior management, portfolio managers, analysts and operations personnel, as well as a representative of the compliance department.

We vote at all meetings of UK-listed companies in which our clients hold shares. Outside the UK there are occasions where we choose not to vote. This is usually because of our desire to retain the right to sell our shares in those countries in which share-blocking is applied (the prohibition of the sale of voted shares until the date of the relevant shareholder meeting).

We are committed to providing full disclosure of voting activity to our clients. To that end, we produce detailed proxy voting reports, which are available to all clients for whom we have the authority to vote upon request. These reports detail the shareholder meetings held during the period in respect of securities held by our client and provide details on how the votes have been cast. We also disclose voting activity for our funds in our mutual funds and SICAV websites.

William Blair does not engage in any stock lending programmes.

PRINCIPLE 7

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

We attach considerable importance to ensuring that we are accountable to our clients and that they are kept informed of the types of activities we undertake and related developments. William Blair periodically reports on proxy voting decisions to clients on request, unless such information is deemed confidential and disclosure to our clients would not be in their best interests. We keep a record on voting activity and explanations as to the reasons for voting against management. We publish relevant summary voting information on our mutual funds and SICAV websites.

We have not sought an independent opinion on our shareholder engagement policy or voting process. However due diligence is completed when outsourcing operational activities to third parties such as ISS.

We intend to update this information as and when significant developments in our approach occur.

For further information please contact Tom Ross.
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