

ARCUS INVESTMENT LIMITED (“AIL”)

JUNE 2020

UK STEWARDSHIP CODE DISCLOSURE STATEMENT

Arcus Investment Limited (“AIL”), Arcus Investment Asia Limited (“AIAL”) and Arcus Research Limited, Japan Branch (“ARL”) are hereafter collectively referred to as “Arcus” or the “Arcus Group”.

Under the Financial Conduct Authority’s (“FCA”) Conduct of Business Rules 2.2A.5, Arcus Investment Limited (“AIL” or “Firm”) is required to make a public disclosure on its website in relation to the nature of its commitment to the Financial Reporting Council’s (“FRC”) Stewardship Code. The UK Stewardship Code 2020, consists of 12 Principles for asset managers and asset owners, and six Principles for service providers.

Arcus supports the objectives of the Code and seeks to apply the UK Stewardship principles to its business, taking into account local law and practice, including the emergence of Stewardship Code in other jurisdictions in which Arcus invests e.g. Japan. However, the firm does not formally commit to the Code because of the exclusive focus of its business on Japan.

The 2020 Code Principles:

1. Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Arcus has a fiduciary duty to act in the best interests of our clients. Part of this responsibility involves ensuring that assets under our stewardship are managed in a way that creates long-term value for clients and their beneficiaries. The investment process Arcus has due regard for environmental, social and corporate governance considerations, but these factors are not incorporated in a systematic manner.

2. Signatories’ governance, resources and incentives support stewardship.

All Arcus employees are required to conduct their duties in a responsible manner and in accordance with Arcus policies and procedures. Arcus applies the requirements of the AIFM Remuneration Code (SYSC 19B) to all staff.

3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

Arcus maintains a conflicts of interest policy which specifies Arcus approach to managing potential conflicts of interest the firm may be exposed to. It helps all employees of Arcus to maintain high ethical standards in their conduct both personally and professionally. In addition, Arcus maintains a conflicts register, which is subject to management review on an ongoing basis. Should a conflict arise the

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Directors together with the Arcus Group Management Committee (“AGMC”) would take appropriate steps to ensure fair treatment and disclose such conflict.

4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

The investment process incorporates macro-economic and market analysis alongside detailed bottom up research. The macro analysis should help to identify market-wide and systemic risks.

Regarding company related risks Arcus has a detailed Information Security Policy to minimise any threat to information security, including cyber-attacks.

5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Arcus has a duty to act in the best long-term interests of its investors and to follow the investment process as outlined in the prospectus and offering memorandum of the funds it manages. Arcus reviews its compliance manual and policies annually (or in the event of a material change) and updates them as appropriate. Appropriate risk management policies and procedures have been implemented and compliance monitoring is undertaken on a risk-based approach.

6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Arcus keeps detailed records of interactions with investee companies. These records include stewardship and voting activities. The Compliance monitors to ensure detailed records are kept in line with policy and regulation. AIAL reports periodically on AIAL’s stewardship and voting activities to the governing bodies of the Funds.

Arcus intends to review its stewardship and voting activities annually, as suggested by the UK Stewardship Code. Given the size of the firm, it does not currently seek independent external assurance with regards to stewardship activities. For further information regarding the UK Stewardship Code, please contact Arcus via email info@arcusinvest.com

7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Arcus has a duty to act in the best long-term interests of its investors and to follow the investment process as outlined in the prospectus and offering memorandum of the funds it manages. However, the investment process goes beyond financial statement analysis, it includes, but is not limited to, the dialogue with senior management of the investee companies, review of public disclosure and direct

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communication to investee board. The investment team also conducts detailed research into each of their potential investee companies. Arcus believes that well-managed companies will create long term shareholder value, and this aligns with Arcus’ investment philosophy of long-term and “bottom-up” in scope and is therefore consistent with best practice in corporate governance at investee companies.

Arcus has due regard for environmental, social and corporate governance considerations, but these factors are not incorporated in a systematic manner. Please email info@arcusinvest.com for a copy of the Firms Environment Social and Governance (“ESG”) policy.

8. Signatories monitor and hold to account managers and/or service providers.

Arcus undertakes initial and ongoing due diligence on its service providers; this may include onsite visits and walk through tests which would be documented in file notes as appropriate. Arcus also regularly monitor and review research providers to ensure value for money.

9. Signatories engage with issuers to maintain or enhance the value of assets.

AIAL monitors all investments closely and recognises that monitoring investee companies is at the heart of the investment management philosophy and process. It is our experience that under normal circumstances management are better informed than investors on company strategy, so we do not generally seek to offer advice in this area. If Arcus did not agree with the strategy or philosophy of company management, we would be less likely to invest in that company. Having said that, once a position is established in a company, ongoing monitoring and analysis is conducted to ensure that Arcus original investment thesis hold true. The analysis included, but not limited to, financial models, valuation analysis and direct dialogue with management. Arcus keeps comprehensive records of ongoing interactions with investee companies.

Should the monitoring identify any issues or actions by the investee companies are not in the best interest of our clients, Arcus would engage with the company to ensure they understand the position of Arcus and seek resolution which may include divesting.

10. Signatories, where necessary, participate in collaborative engagement to influence issuers.

Public contests for control and investor revolts are extremely rare in Japan. However, in the event that Arcus is in a position to influence decision through collective action with other shareholders the decision will be made in light of the best long-term interests of our investors and in accordance with local law and regulation. Any such activities would be considered on a case by case basis.

Arcus never abdicates stewardship responsibilities to any other party in any collective action. It is not the policy of Arcus to allow others to convey our views.

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11. Signatories, where necessary, escalate stewardship activities to influence issuers.

Arcus always seeks to protect and enhance shareholder value by the most appropriate means available. The unique social and investment culture of Japan means that this will almost always involve private discussion with management rather than public confrontation. Arcus will escalate issues should it believe an investee company is being unresponsive to matters which it raised in previous discussions. It would consider issuing a formal letter to the Board passed through the Company Secretary to ensure specific concerns has been presented to the entire board of directors including non-executive and independent directors.

12. Signatories actively exercise their rights and responsibilities.

Arcus has adopted formal policies and procedures for proxy voting that can be found in the Arcus Group Compliance Manual. In so far as it is practical AIAL will make best efforts to vote ensuring that it votes client securities in the best interests of its clients and that proxy voting activities adhere to the requirements of all applicable rules and generally fiduciary principles.

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JAPAN STEWARDSHIP CODE

The original Japan Stewardship Code was published in February 2014 and revised on 29 May 2017. It contains seven principles, the first six of which are comparable to the UK stewardship code:

1. Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.
2. Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.
3. Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.
4. Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.
5. Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.
6. Institutional investors in principle should report periodically on how they fulfil their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

With respect to Japan Code Principle 7, it adds an extra layer of depth to the UK code by encouraging investors to contribute positively to investee companies' sustainable growth, by having in depth knowledge and the companies, and their business environment.

7. To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities.

Arcus has a long track record of investing in the Japanese market on behalf of our clients, and our fund manager(s) and analysts have a wealth of experience in engaging with Japanese companies. As a Japan specialist, knowledge, skills and resources are central to our investment process. Our experienced team have built up a deep knowledge and understanding of the companies in the Japanese market.

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