

Stewardship and Corporate Engagement Policy

Disclosure Statement

October 2022



Stewart Investors

Stewardship principles

The concept of stewardship is at the heart of Stewart Investors' investment approach. We believe our job is to allocate our clients' capital in accordance with the investment process and philosophy that has been agreed with our clients. Each investment is a decision to purchase, on behalf of our clients, a share of a real business. In particular, we emphasise the importance of the quality of a company's management. We spend a great deal of time focusing on issues such as management integrity and corporate governance, attitude to environmental, social and governance (ESG) risks and the ability to execute and to develop successful long-term strategies.

We believe in having direct contact with the management and/or directors of companies into which we invest. This contact might include constructive communication about performance, corporate governance, environmental and social issues, or other matters affecting stakeholder interests and long-term shareholder value.

As a shareholder, we are entitled to receive reports and accounts and other explanatory circulars from companies which are required by law or regulatory authorities. We also have the right to attend company meetings and raise questions about the affairs of the company. While these formal bases for communication are necessary, they may not be sufficient to allow companies and shareholders to gain full understanding of each other's aims and requirements.

Direct dialogue gives us a better appreciation of a company's objectives, its potential aims and the quality of its management, while making the company aware of our expectations and requirements as a shareholder. In regard to environmental and social issues, we will engage management on those matters that it believes have material impact on company earnings and value, and on best practices which the company should adopt.

Our Corporate Engagement Policy includes our policy on voting. In exercising our voting rights on behalf of our clients, we combine our own research with that provided by third parties and bespoke research conducted on our behalf from other research providers.

Conflicts of interest

Our Corporate Engagement Policy recognises the fact that conflicts of interest may arise in exercising voting rights on behalf of our clients, and includes procedures to ensure that such decisions are made objectively, in line with our proxy voting guidelines, and in the best interests of our clients.

Monitoring investee companies

As an active investor, we are active in monitoring our investee companies. We believe that purchase of a share in a business comes with both rights and responsibilities. Rights include voting rights, dividends and tag-along protection in takeover deals. In return equity owners, although legally protected by their limited liability status, share responsibility for the actions and behaviour of their companies. For us, environmental, social and governance issues are investment issues. Positive engagement on such issues therefore is a powerful tool in driving shareholder value and protecting and enhancing the value of our portfolios.

Our primary means for monitoring companies is through the regular dialogue we have with them as part of our investment process. We also purchase extensive ESG research that tests our views of companies' approaches to ESG issues.

Engagement escalation

We believe corporate engagement and voting activities are a key part of both our investment approach and our responsibility, acting on behalf of our clients, as part owners of the businesses in which we invest.

We will seek to engage in a manner appropriate to each individual circumstance; and where such engagement does not produce the desired result, to consider other forms of engagement. We will generally look to engage with companies initially in a private and confidential manner, conducive to achieving a suitable outcome, and only if such activities fail to produce results would we consider more public forms of engagement. With the exception of calling for an EGM and submitting resolutions at shareholder meetings, we have undertaken all the activities recommended in the Code when it is appropriate given our ownership stake.

Collaborative initiatives

We participate in collaborative initiatives with other investors that look to increase transparency, improve corporate ESG practices or call for regulation that supports long-term shareholder interests. We have also consistently encouraged both mainstream investment banks and independent SRI research providers to broaden and deepen their analysis of ESG issues for our asset classes. Occasionally we undertake written engagement with regulators and stock exchanges on ESG issues.

Voting and disclosure

Our policies on voting and disclosure are contained within our Corporate Engagement Policy. Stewart Investors votes on all issues at company meetings where it has the authority to do so. Voting rights are a valuable asset which we believe should be managed with the same care and diligence as any other asset. Ultimately, shareholders' ability to influence management depends on shareholders' willingness to exercise those rights.

We generally seek to engage a company prior to a vote so that appropriate consultation may take place with a view towards achieving a satisfactory solution. If the company does not change its behaviour and is not in-line with what we see is minimum requirements for a given market, we will vote against. We do look to have a positive relationship with the companies we invest in so we can have the most productive engagement. When we are long-term shareholders this also support the effectiveness of engagement and ideally we will not need to vote against the company.

Where a satisfactory outcome cannot be achieved on an important issue, it may be desirable for us to attend the relevant meeting of the company and to explain why the proposal is being opposed. In such cases a poll may be requested to ensure that the vote is duly recorded.

All votes are made in the best interest of our clients. While our goal is to apply our corporate governance guidelines and principles in a consistent manner, there may be occasions where we believes it is in our clients' best interests to exercise our proxy vote in a manner that is not consistent on certain occasions, as a degree of subjectivity may be required.

Reporting

We report to those of our clients who have requested us to do so, usually at quarterly intervals, on our voting activities on their behalf. These reports contain both quantitative and qualitative information, with the content of such reporting often differing between clients based on their specific needs. We also report, where requested, on engagement activities; however we note that on occasion the engagement that produces the outcome which we believe is in the best interests of investors should in some cases remain confidential. As part of an ISAE3402 report on the control environment with our business, our voting activities are reviewed on an annual basis.

Corporate engagement

Stewart Investors is in a position to influence the environmental, social and governance performance of companies via discussions with management or the board of directors and through the exercising of proxy votes. The exercising of the voting rights must be in the best long term interests of our customers. These proxy voting policies and procedures exist to ensure that Stewart Investors fulfils its responsibility to its customers in connection with the voting of proxies. Stewart Investors views the voting of proxies as a part of its investment management responsibility.

Communication

We believe in having direct contact with the management and/or directors of companies into which we invest. This contact might include constructive communication about performance, corporate governance, environmental and social issues, or other matters affecting stakeholder interests and long-term shareholder value.

As a shareholder, we are entitled to receive reports and accounts and other explanatory circulars from companies which are required by law or regulatory authorities. We also have the right to attend company meetings and raise questions about the affairs of the company. While these formal bases for communication are necessary, they may not be sufficient to allow companies and shareholders to gain full understanding of each other's aims and requirements.

Direct dialogue often gives us a better appreciation of a company's objectives, its potential aims and the quality of its management, while making the company aware of our expectations and requirements as a shareholder. In regard to environmental and social issues, we will engage management on those matters that it believes have material impact on company earnings and value, and on best practices which the company should adopt.

Due to our belief that close and supportive relations, and constructive engagement, with management is the most effective way to produce the right long-term outcomes, we do not support class actions against companies, or their management, in whom we continue to invest on behalf of our clients. Such actions threaten both those effective relationships, as well as the financial interests of our clients.

Voting

We will vote on all issues at company meetings where we have the authority to do so. Voting rights are a valuable asset which should be managed with the same care and diligence as any other asset. Ultimately, shareholders' ability to influence management depends on shareholders' willingness to exercise those rights.

We generally seek to engage a company prior to a vote so that appropriate consultation may take place with a view towards achieving a satisfactory solution. If the company does not change its behaviour and it not in-line with what we see as minimum requirements for a particular market, we will vote against. We do look to have a positive relationship with the companies we invest in so we can have the most productive engagement. When we are long-term shareholders this also supports the effectiveness of engagement and ideally we will not need to vote against the company.

Where a satisfactory outcome cannot be achieved on an important issue, it may be desirable for the relevant fund manager or delegate to attend the relevant meeting of the company and to explain why the proposal is being opposed. In such cases a poll may be requested to ensure that the vote is duly recorded.

All votes must be made in the best interest of our customers. While our goal is to apply our corporate governance guidelines and principles in a consistent manner, there may be occasions where we believe it is in its customers' best interests to exercise its proxy vote in a manner that is not consistent on certain occasions, as a degree of subjectivity may be required.

There may be occasions where a collective investment scheme or investment trust we manage is held within an account or portfolio which we also manage. In such cases, to prevent a potential conflict of interest, we will not exercise our right to vote except by agreement with Compliance.

Our Proxy Voting Policies and Guidelines are contained in the Appendix.

Voting with our Proxy Voting Guidelines

We will generally vote client proxies in accordance with our current Proxy Voting Guidelines. In such cases, the analyst assigned to review the proxy indicates that we are voting our clients' securities with the Guidelines on the emailed Proxy Voting Form, and returns to the Proxy Administrator for the timely posting of the ballot. A summary of our Proxy Voting Guidelines is attached in the Appendix.

Voting against our Proxy Voting Guidelines

If the analyst assigned the responsibility of reviewing a proxy determines that it is in our clients' best interests to vote against our Proxy Voting Guidelines, he or she must indicate on the emailed Proxy Voting Form the reasons for recommending a vote against our Proxy Voting Guidelines, and whether any portfolio manager/analyst has a Material Conflict or if Stewart Investors has a material conflict with respect to the issuer (as defined below).

Conflicts of Interest

Conflicts of interest can arise from the interaction between different business units and affiliates of Stewart Investors, our parent group First Sentier Investors (FSI), our clients, external parties and personal conflicts with employees. Conflicts can also occur between FSI and our ultimate shareholder, Mitsubishi UFJ Trust and Banking Corporation, a wholly-owned subsidiary of Mitsubishi UFJ Financial Group, Inc ("MUFG").

Our overarching commitment to always work in the best interests of our clients is particularly relevant in a conflict of interest situation.

The following scenarios illustrate where perceived or potential material conflicts may arise in the ordinary course of our business:

- FSI clients who may be issuers of securities or proponents of shareholder resolutions.
- Strategic business partners, critical vendors or key distributor clients who may be issuers of securities or proponents of shareholder resolutions.
- Non-executive directors of our investment trust clients who may also serve as non-executive directors of investee companies.
- Employees/investors who may have a family, personal or professional association with an investee company.
- Securities of MUFG or FSI investment funds held in portfolios managed by FSI.
- MUFG or FSI board members who may serve as senior executives of investee companies.
- Significant MUFG investors or clients who may be issuers of securities held in funds managed by FSI

Applying our Corporate Engagement Policy, which operates to protect and enhance the economic value of the companies in which we invest on behalf of clients, is designed to address the possible conflicts of interest that may arise through proxy voting.

In the event a Material Conflict is identified, the Managing Partner or his/her nominee shall determine how to vote the proxy in consultation with Compliance, and in such cases shall keep adequate records to demonstrate that the resulting vote was not the product of the Material Conflict(s).

FSI maintains a Conflicts Register, which identifies actual and potential conflicts of interest that exist within the firm and the procedures and controls that have been designed to manage these conflicts. It is subject to annual Compliance review and is noted by FSI's internal governance committees. It is the responsibility of each employee to identify and report potential conflicts as laid out in the firm's Global Conflicts of Interest Policy and Global Code of Conduct. Each employee must submit an annual declaration to confirm they have adhered to the firm's Global Code of Conduct. Training is provided on the Conflicts of Interest Policy during employee inductions and annually thereafter.

The corporate engagement policy presumes two types of Material Conflict:

A Material Conflict for an portfolio manager/analyst shall be presumed when the proxy involves an issuer: whose account the portfolio manager/analyst is responsible for managing or making investment recommendations; with respect to which the portfolio manager/analyst is currently involved in the marketing of a Stewart Investors investment product; or on whose Board of Directors the portfolio manager/analyst sits as a member or on an advisory committee.

A portfolio manager/analyst shall also be deemed to have a Material Conflict if the portfolio manager/analyst has a familial relationship with a director or principal executive officer of the issuer, or a nominee proposed to be elected as a director of the issuer.

A Material Conflict for Stewart Investors shall be presumed if: the proxy involves an issuer who is also a Stewart Investors advisory client; or the proxy involves an issuer on whose Board of Directors a Stewart Investors employee serves.

Proxy voting policy and procedures

Stewart Investors is advised of corporate actions such as proxy voting by its custodians. Each portfolio manager or their delegate is responsible for ensuring that all company resolutions are reviewed and an appropriate and consistent recommendation is made in line with the corporate governance guidelines and principles as outlined in the Appendix.

Once the proxy voting intentions have been confirmed by the portfolio manager or their delegate, they must communicate the decision to the Asset Servicing team in an agreed format by the pre-advised cut-off. The Asset Servicing team has sole responsibility for instructing the relevant custodian of the proxy voting instruction, and will maintain records of all proxy voting decisions in a format which will allow the dissemination of this data to relevant customers.

The Asset Services team maintains a detailed set of Proxy Voting Procedures which covers:

- monitoring meetings for which votes are required to be lodged
- providing research from the proxy voting service provider to the investment team
- monitoring for changes to either of the above
- ensuring voting decisions are received from the investment team
- ensuring the investment team are aware when shareblocking applies to voting decisions
- instructing the proxy voting service provider with investment team voting decisions
- checking that all such voting decisions are enacted by the proxy voting service provider.

Stewart Investors will only vote in the best interests of its customers. It is Stewart Investors' duty to put any other relationship or interest to one side when deciding how to vote on behalf of customers.

Reporting to clients

Wherever an institutional mandate client delegates responsibility for exercising proxy votes, Stewart Investors will report back to the client how votes were cast on their behalf, if requested by the client.

The authority and responsibility for exercising proxy votes will be defined within the investment management agreement executed between ourselves and each institutional mandate client. However, we may still receive proxy voting instructions from each client on a case by case basis or alternatively the client may instruct their custodian directly. The frequency and content of any reporting to a client is provided for in the relevant investment management agreement. Vote against proposals that provide that directors may be removed only for cause.

Appendix - Proxy Voting Policy and Guidelines

Preamble

We believe judgement is a better guide to voting than a rules-based approach. Our voting policy is based on a parsimonious set of principles and key considerations that in our judgement are likely to be applicable to all companies in the vast majority of circumstances. However, we consider each voting exercise a bespoke process that should take into account the specific context, circumstances, dynamics and development of each company.

We believe an overly-specific and overly-prescriptive approach to proxy voting has drawbacks. First, it limits our ability to base our decisions on principles we cherish and to apply these principles to the circumstances of each company. Second, it overlooks that voting is often binary and blunt; it may only be possible to cast a single vote on matters that are often multi-faceted. Over-specifying requirements on each aspect of a remuneration policy is unnecessarily elaborate when we ultimately have to decide what our position is on balance.

Principles

Overarching principle: We vote every item on a case-by-case basis and with no pre-defined policy on how to vote certain events or issues.

We aim to: Use the voice that voting gives us ambitiously and positively, and to vote against proposals which in our judgement are likely to undermine positive outcomes.

Our investment philosophy is suggestive of certain points of principle that voting decisions should aim to embody and reinforce. We therefore support proposals that in our judgement are likely to:

1. Encourage long-term decision-making
2. Promote exceptional company cultures, strong franchises and resilient financials
3. Encourage companies to contribute to a more sustainable future.

To bring about a more sustainable future, we support proposals that in our judgement are likely to:

1. Promote sustainable development and responsible business practices
2. Improve board and staff diversity
3. Improve the quality of disclosure and reporting.

Considerations

Remuneration

Our voting decisions on remuneration awards and policies are based on careful consideration of the following questions:

1. Is the remuneration policy reasonable and simple?
2. Is remuneration linked to long-term performance and is it helping promote long-term stewardship?
3. Is the policy likely to result in excessive pay awards?

Boards

Our voting decisions on boards are based on careful consideration of the following questions:

1. Does the board discharge its duties in the long-term interests of the company?
2. Does the board strive for diversity of experience, skills, thought and opinion?
3. Does the board have a functioning process to refresh and renew itself?

Auditors

We recognise all auditing firms are imperfect, and that replacing one with another will not in and of itself result in a higher standard of auditing. We also recognise that long-term relationships may enable auditing firms to gain a good understanding of how companies operate and how they have evolved. However, we believe the risks of over-familiarity and complacency are significant enough that we vote against the appointment of auditors whose tenure exceeds 10 years of continuous service.

Procedures and process

1. For every contentious proposal that comes up for a vote, we aim to engage with the company and seek to better understand the rationale and possible long-term implications of the proposal.
2. If we decide to vote against a board recommendation, we explain in simple terms the rationale for our decision. This explanation is published on our website/microsite.
3. If we decide to vote against a board recommendation, we explain our decision to the company verbally or in writing or both, and we decide any relevant engagement actions we may want to pursue with the company.
4. We review our policy guidelines once a year, to stay fresh and to incorporate recent experience.

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