



Stewart Investors

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# Stewardship and Corporate Engagement Policy

Disclosure Statement

September 2020

## 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 regularly 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 policy on voting and disclosure is 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 Risk Management.

### **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 Appendices.

### **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).

If neither any portfolio manager/analyst nor Stewart Investors has a Material Conflict, then the proxy may be voted as nominated. In the event a Material Conflict is identified, the Managing Partner or his nominee shall determine how to vote the proxy in consultation with Risk Management, and in such cases shall keep adequate records to demonstrate that the resulting vote was not the product of the Material Conflict(s).

### **Material Conflict**

This 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. The head of each investment group 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 head of an investment group 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.

## Appendix – Proxy Voting Guidelines

### Directors

#### Voting on director nominees (uncontested elections)

Votes on director nominees should be made on a **case-by-case** basis, examining the following factors: composition of the board and key board committees, attendance at board meetings, corporate governance provisions and takeover activity, long-term company performance relative to a market index, directors' investment in the company, whether the chairman is also serving as CEO, and whether a retired CEO sits on the board. However, there are some actions by directors that should result in votes being withheld. These instances include directors who:

- Attend less than 75 percent of the board and committee meetings without a valid excuse,
- Implement or renew a dead-hand or modified dead-hand poison pill (ie a mechanism keeping incumbent directors in control of a company even after a majority of shareholders support a takeover),
- Ignore a shareholder proposal that is approved by a majority of the shares outstanding,
- Ignore a shareholder proposal that is approved by a majority of the votes cast for two consecutive years,
- Failed to act on takeover offers where the majority of the shareholders tendered their shares,
- Are inside directors and sit on the audit, compensation, or nominating committees, and
- Are inside directors and the full board serves as the audit, compensation, or nominating committee or the company does not have one of these committees.

In addition, directors who enacted objectionable corporate governance policies or failed to replace management as appropriate would be subject to recommendations to withhold votes.

#### Separating Chairman and CEO

Vote on a **case-by-case** basis shareholder proposals requiring that the positions of chairman and CEO be held separately. Because some companies have governance structures in place that counterbalance a combined position, the following factors should be taken into account in determining whether the proposal warrants support:

- Designated lead director appointed from the ranks of the independent board members with clearly delineated duties,
- Majority of independent directors on board,
- All-independent key committees,
- Committee chairpersons nominated by the independent directors,
- CEO performance reviewed annually by a committee of outside directors,
- Established governance guidelines, and
- Company performance.

#### Proposals seeking a majority of independent directors

Shareholder proposals asking that a majority of directors be independent should be evaluated on a **case-by-case** basis. Vote **for** shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors.

#### Share ownership requirements

Vote **against** shareholder proposals requiring directors to own a minimum amount of company shares in order to qualify as a director or to remain on the board.

#### Term of office

Vote **against** shareholder proposals to limit the tenure of outside directors.

#### Age limits

Vote **against** shareholder proposals to impose a mandatory retirement age for outside directors.

### **Director and officer indemnification and liability protection**

Proposals on director and officer indemnification and liability protection should be evaluated on a **case-by-case** basis. Vote **against** proposals to eliminate entirely directors' and officers' liability for monetary damages for violating the duty of care. Vote **against** indemnification proposals that would expand coverage beyond just legal expenses to acts, such as negligence, that are more serious violations of fiduciary obligation than mere carelessness. Vote **for** only those proposals providing such expanded coverage in cases when a director's or officer's legal defence was unsuccessful if: (1) the director was found to have acted in good faith and in a manner that he reasonably believed was in the best interests of the company, and (2) only if the director's legal expenses would be covered.

### **Voting for director nominees in contested elections**

Votes in a contested election of directors must be evaluated on a **case-by-case** basis, considering the following factors: long-term financial performance of the target company relative to its industry; management's track record; background to the proxy contest; qualifications of director nominees (both slates); evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met; and share ownership positions.

### **Reimburse proxy solicitation expenses**

Voting to reimburse proxy solicitation expenses should be analyzed on a **case-by-case** basis. In cases where we vote in favour of the dissidents, we will also vote for reimbursing proxy solicitation expenses.

## **Auditors**

### **Ratifying auditors**

Vote **for** proposals to ratify auditors, unless: an auditor has a financial interest in or association with the company, and is therefore not independent; or there is reason to believe that the independent auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position.

## **Contest Defences**

### **Board structure: staggered vs. annual elections**

Vote **against** proposals to classify the board.

Vote **for** proposals to repeal classified boards and to elect all directors annually.

### **Shareholder ability to remove directors**

Vote **against** proposals that provide that directors may be removed only for cause.

Vote **for** proposals to restore shareholder ability to remove directors with or without cause.

Vote **against** proposals that provide that only continuing directors may elect replacements to fill board vacancies.

Vote **for** proposals that permit shareholders to elect directors to fill board vacancies.

### **Cumulative voting**

Vote **against** proposals to eliminate cumulative voting.

Vote proposals to restore or permit cumulative voting on a **case-by-case** basis relative to the company's other governance provisions.

### **Shareholder ability to call special meetings**

Vote **against** proposals to restrict or prohibit shareholder ability to call special meetings.

Vote **for** proposals that remove restrictions on the right of shareholders to act independently of management.



**Shareholder ability to act by written consent**

Vote **against** proposals to restrict or prohibit shareholder ability to take action by written consent.

Vote **for** proposals to allow or make easier shareholder action by written consent.

**Shareholder ability to alter the size of the board**

Vote **for** proposals that seek to fix the size of the board.

Vote **against** proposals that give management the ability to alter the size of the board without shareholder approval.

**Takeover defences****Poison pills**

Vote **for** shareholder proposals that ask a company to submit its poison pill for shareholder ratification.

Review on a **case-by-case** basis shareholder proposals to redeem a company's poison pill.

Review on a **case-by-case** basis management proposals to ratify a poison pill.

**Fair price provisions**

Vote proposals to adopt fair price provisions on a **case-by-case** basis, evaluating factors such as the vote required to approve the proposed acquisition, the vote required to repeal the fair price provision, and the mechanism for determining the fair price.

Generally, vote **against** fair price provisions with shareholder vote requirements greater than a majority of disinterested shares.

**Greenmail (ie company forced to buy back shares when subject to hostile takeover)**

Vote **for** proposals to adopt anti-greenmail constitution amendments or otherwise restrict a company's ability to make greenmail payments.

Review on a **case-by-case** basis anti-greenmail proposals when they are bundled with other constitution amendments.

**Pale greenmail (ie restructuring transactions that are effectively greenmail)**

Review on a **case-by-case** basis restructuring plans that involve the payment of pale greenmail.

**Unequal voting rights**

Vote **against** dual-class exchange offers.

Vote **against** dual-class recapitalisations.

**Supermajority shareholder vote requirement to amend the charter or bylaws**

Vote **against** management proposals to require a supermajority shareholder vote to approve constitution amendments.

Vote **for** shareholder proposals to lower supermajority shareholder vote requirements for constitution amendments.

**Supermajority shareholder vote requirement to approve mergers**

Vote **against** management proposals to require a supermajority shareholder vote to approve mergers and other significant business combinations.

Vote **for** shareholder proposals to lower supermajority shareholder vote requirements for mergers and other significant business combinations.

**White knight placements**

Vote **for** shareholder proposals to require approval of blank check preferred share issues for other than general corporate purposes.

## Miscellaneous governance provisions

### Confidential voting

Vote **for** shareholder proposals that request companies to adopt confidential voting, use independent tabulators, and use independent inspectors of election as long as the proposals include clauses for proxy contests as follows: In the case of a contested election, management should be permitted to request that the dissident group honour its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents do not agree, the confidential voting policy is waived.

Vote **for** management proposals to adopt confidential voting.

### Equal access

Vote **for** shareholder proposals that would allow significant company shareholders equal access to management's proxy material in order to evaluate and propose voting recommendations on proxy proposals and director nominees, and in order to nominate their own candidates to the board.

### Bundled proposals

Review on a **case-by-case** basis bundled or "conditioned" proxy proposals. In the case of items that are conditioned upon each other, examine the benefits and costs of the packaged items. In instances when the joint effect of the conditioned items is not in shareholders' best interests, vote against the proposals. If the combined effect is positive, support such proposals.

### Shareholder advisory committees

Review on a **case-by-case** basis proposals to establish a shareholder advisory committee.

## Capital structure

### Ordinary shares authorisation

Review proposals to increase the number of ordinary shares authorised for issue on a **case-by-case** basis.

Vote **against** proposals to increase the number of authorised shares of the class that has superior voting rights in companies that have dual-class capitalisation structures.

### Capital distributions: splits and dividends

Vote **for** management proposals to increase ordinary share authorisation for a stock split, provided that the increase in authorised shares would not result in an excessive number of shares available for issuance given a company's industry and performance in terms of shareholder returns.

### Reverse stock splits

Vote **for** management proposals to implement a reverse stock split when the number of shares will be proportionately reduced to avoid delisting.

Review on a **case-by-case** basis on proposals to implement a reverse stock split that do not proportionately reduce the number of shares authorised for issue.

### Preferred shares

Vote **against** proposals authorising the creation of new classes of preferred shares with unspecified voting, conversion, dividend distribution, and other rights ("blank check" preferred shares).

Vote **for** proposals to create blank check preferred shares in cases when the company expressly states that the shares will not be used as a takeover defence.

Vote **for** proposals to authorise preferred shares in cases where the company specifies the voting, dividend, conversion, and other rights of such shares and the terms of the preferred shares appear reasonable.

Vote **case-by-case** on proposals to increase the number of blank check preferred shares after analyzing the number of preferred shares available for issue given a company's industry and performance in terms of shareholder returns.

**Shareholder proposals regarding blank check preferred shares**

Vote **for** shareholder proposals to have blank check preferred share placements, other than those shares issued for the purpose of raising capital or making acquisitions in the normal course of business, submitted for shareholder ratification.

**Adjustments to par value of ordinary shares**

Vote **for** management proposals to reduce the par value of common stock.

**Pre-emptive rights**

Review on a **case-by-case** basis shareholder proposals that seek pre-emptive rights. In evaluating proposals on pre-emptive rights, consider the size of a company and the characteristics of its shareholder base.

**Debt restructurings**

Review on a **case-by-case** basis proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan.

Consider the following issues:

Dilution: How much will ownership interest of existing shareholders be reduced, and how extreme will dilution to any future earnings be?

Change in Control: Will the transaction result in a change in control of the company? Bankruptcy: Generally, approve proposals that facilitate debt restructurings unless there are clear signs of self-dealing or other abuses.

**Share repurchase programs**

Vote **for** management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

**Tracking stock**

Votes on the creation of tracking stock are determined on a **case-by-case** basis, weighing the strategic value of the transaction against such factors as:

- adverse governance changes,
- excessive increases in authorised shares,
- unfair method of distribution,
- diminution of voting rights,
- adverse conversion features,
- negative impact on share option plans, and
- other alternatives such as spin-off.

**Executive and director compensation**

Votes with respect to compensation plans are determined on a **case-by-case** basis.

Our focus is primarily on the transfer of shareholder wealth (the currency cost of pay plans to shareholders instead of simply focusing on voting power dilution).

**Management proposals seeking approval to reprice options**

Vote on management proposals seeking approval to reprice options on a **case-by-case** basis.

**Director compensation**

Votes on share-based plans for directors are made on a **case-by-case** basis.

**Employee share purchase plans**

Votes on employee share purchase plans should be made on a **case-by-case** basis.

**Shareholder proposals to limit executive and director pay**

Generally, vote **for** shareholder proposals that seek additional disclosure of executive and director pay information.

Review on a **case-by-case** basis all other shareholder proposals that seek to limit executive and director pay.

**Golden parachutes**

Vote **for** shareholder proposals to have golden parachutes submitted for shareholder ratification.

Review on a **case-by-case** basis all proposals to ratify or cancel golden parachutes.

**Employee share ownership plans**

Vote **for** proposals that request shareholder approval in order to implement an ESOP or to increase authorised shares for existing ESOPs, except in cases when the number of shares allocated to the ESOP is “excessive” (ie, generally greater than five percent of outstanding shares).

**Employee pension schemes**

Vote **for** proposals to implement a pension scheme for employees.

**Incorporation****Voting on takeover laws**

Review on a **case-by-case** basis proposals to opt in or out of local takeover laws (including control share acquisition laws, control share cash-out laws, freeze-out provisions, fair price provisions, stakeholder laws, poison pill endorsements, severance pay and employee contract provisions, anti-greenmail provisions, and disgorgement provisions).

**Voting on reincorporation proposals**

Proposals to change a company’s location of incorporation should be examined on a **case-by-case** basis.

**Mergers and Corporate Restructurings****Mergers and acquisitions**

Votes on mergers and acquisitions should be considered on a **case-by-case** basis, taking into account at least the following: anticipated financial and operating benefits; offer price (cost vs. premium); prospects of the combined companies; how the deal was negotiated; and changes in corporate governance and their impact on shareholder rights.

**Corporate restructuring**

Votes on corporate restructuring proposals, including minority squeeze-outs, leveraged buyouts, demergers, liquidations, and asset sales should be considered on a **case-by-case** basis.

**Demergers**

Votes on demergers should be considered on a **case-by-case** basis depending on the tax and regulatory advantages, planned use of sale proceeds, market focus, and managerial incentives.

**Asset sales**

Votes on asset sales should be made on a **case-by-case** basis after considering the impact on the balance sheet/working capital, value received for the asset, and potential elimination of diseconomies.

**Liquidations**

Votes on liquidations should be made on a **case-by-case** basis after reviewing management’s efforts to pursue other alternatives, appraisal value of assets, and the compensation plan for executives managing the liquidation.

**Appraisal rights**

Vote **for** proposals to restore, or provide shareholders with, rights of appraisal.

**Changing corporate name**

Vote **for** changing the corporate name.

**Social and Environmental Issues****Consumer issues & public safety****Animal rights**

Vote **case-by-case** on proposals to phase out the use of animals in product testing, taking into account:

- The nature of the product and the degree that animal testing is necessary or mandated (such as medical products),
- The availability and feasibility of alternatives to animal testing to ensure product safety, and
- The degree that competitors are using animal-free testing.

**Drug pricing**

Vote **case-by-case** on proposals asking the company to implement price restraints on pharmaceutical products, taking into account:

- Whether the proposal focuses on a specific drug and region;
- Whether the economic benefits of providing subsidised drugs (e.g., public goodwill) outweigh the costs in terms of reduced profits, lower R&D spending, and harm to competitiveness;
- Whether the company already limits price increases of its products;
- Whether the company already contributes life-saving pharmaceuticals to the needy; and
- The extent that peer companies implement price restraints.

**Genetically modified foods**

Vote **case-by-case** on proposals to label genetically modified (GMO) ingredients voluntarily in the company's products, or alternatively to provide interim labelling and eventually eliminate GMOs, taking into account:

- The costs and feasibility of labelling and/or phasing out;
- The nature of the company's business and the proportion of it affected by the proposal;
- The proportion of company sales in markets requiring labelling or GMO-free products;
- The extent that peer companies label or have eliminated GMOs;
- Competitive benefits, such as expected increases in consumer demand for the company's products; and
- The risks of misleading consumers without federally mandated, standardized labelling.

Vote **for** proposals asking for a report on the feasibility of labelling products containing GMOs.

Vote **against** proposals to completely phase out GMOs from the company's products. Such resolutions presuppose that there are proven health risks to GMOs – an issue better left to federal regulators – which outweigh the economic benefits derived from biotechnology.

Vote **case-by-case** on reports outlining the steps necessary to eliminate GMOs from the company's products, taking into account:

- The relevance of the proposal in terms of the company's business and the proportion of it affected by the resolution;
- The extent that peer companies have eliminated GMOs;
- The extent that the report would clarify whether it is viable for the company to eliminate GMOs from its products; and
- Whether the proposal is limited to a feasibility study or additionally seeks an action plan and timeframe actually to phase out GMOs.

Vote **against** proposals seeking a report on the health effects of GMOs. Studies of this sort are better undertaken by regulators and the scientific community.

**Handguns**

Generally vote **against** requests for reports on a company's policies aimed at curtailing gun violence unless the report is confined to product safety information.

Criminal misuse of firearms is beyond company control and instead falls under police and other law enforcement bodies.

**Predatory lending**

Vote **case-by-case** on requests for reports on the company's procedures for preventing predatory lending, including the establishment of a board committee for oversight, taking into account:

- Whether the company has adequately disclosed mechanisms in place to prevent abusive lending practices;
- Whether the company has adequately disclosed the financial risks of its subprime business; and
- Whether the company has been subject to violations of lending laws or serious lending controversies.

**Tobacco**

Most tobacco-related proposals should be evaluated on a **case-by-case** basis, taking into account the following factors:

Second-hand smoke:

- Whether the company complies with all local laws and regulations;
- The degree that voluntary restrictions beyond those mandated by law might hurt the company's competitiveness; and
- The risk of any health-related liabilities.

Advertising to youth:

- Whether the company complies with local laws on the marketing of tobacco or if it has been fined for violations;
- Whether the company has gone as far as peers in restricting advertising; and
- Whether the company has previously agreed to restrict marketing of tobacco to youth.

Cease production of tobacco-related products or avoid selling products to tobacco companies:

- The percentage of the company's business affected and
- The economic loss of eliminating the business versus any potential tobacco-related liabilities.

Demerge tobacco-related businesses:

- The percentage of the company's business affected;
- The feasibility of a demerger; and
- Potential future liabilities related to the company's tobacco business.

Stronger product warnings:

Vote **against** proposals seeking stronger product warnings. Such decisions are better left to governments.

Investment in tobacco stocks:

Vote **against** proposals prohibiting investment in tobacco equities. Such decisions are better left to portfolio managers.

**Environment & energy****Environmental reports**

Generally vote **for** requests for reports disclosing the company's environmental policies unless it already has well-documented environmental management systems that are available to the public.

**Global warming**

Generally vote **for** reports on the level of greenhouse gas emissions from the company's operations and products, unless the report is duplicative of the company's current environmental disclosure and reporting. However, additional reporting may be warranted if:

- The company's level of disclosure lags that of its competitors or
- The company has a poor environmental track record, such as violations of local regulations.

**Recycling**

Vote **case-by-case** on proposals to adopt a comprehensive recycling strategy, taking into account:

- The nature of the company's business and the percentage affected;
- The extent that peer companies are recycling;
- The timetable prescribed by the proposal;
- The costs of implementation; and
- Whether the company has a poor environmental track record, such as violations of local regulations.

**Renewable energy**

Vote **case-by-case** on proposals to invest in renewable energy sources, taking into account:

- The nature of the company's business and the percentage affected;
- The extent that peer companies are switching from fossil fuels to cleaner sources;
- The timetable and specific action prescribed by the proposal; and
- The costs of implementation.

**General corporate issues****Link executive compensation to social performance**

Vote **case-by-case** on proposals to review ways of linking executive compensation to social factors, such as corporate downsizings, customer or employee satisfaction, community involvement, human rights, environmental performance, predatory lending, and executive/employee pay disparities. Such resolutions should be evaluated in the context of:

- The relevance of the issue to be linked to pay;
- The degree that social performance is already included in the company's pay structure;
- The degree that social performance is used by peer companies in setting pay;
- Violations or complaints filed against the company relating to the particular social performance measure;
- Artificial limits sought by the proposal, such as freezing or capping executive pay;
- Independence of the compensation committee; and
- Current company pay levels.

**Charitable/political contributions**

Generally vote **against** proposals asking the company to affirm political non-partisanship in the workplace so long as:

- The company is in compliance with laws governing corporate political activities, and
- The company has procedures in place to ensure that employee contributions to company-sponsored funds used partly or wholly for political purposes are strictly voluntary and not coercive.

Vote **against** proposals to report or publish in newspapers the company's political contributions. Local laws usually restrict the amount of corporate contributions and include reporting requirements.

Vote **against** proposals disallowing the company from making political contributions.

Businesses are affected by legislation and barring contributions can put the company at a competitive disadvantage.

Vote **against** proposals restricting the company from making charitable contributions. Charitable contributions are generally useful for assisting worthwhile causes and for creating goodwill in the community. In the absence of bad faith, self-dealing, or gross negligence, management should determine which contributions are in the best interests of the company.

**Employment standards & human rights****Country-specific human rights reports**

Vote **case-by-case** on requests for reports detailing the company's operations in a particular country and steps to protect human rights, based on:

- The nature and amount of company business in that country;
- The company's workplace code of conduct;

- Proprietary and confidential information involved;
- Company compliance with local regulations on investing in the country; and
- Level of peer company involvement in the country.

### **International Codes of Conduct/Vendor Standards**

Vote **case-by-case** on proposals to implement certain human rights standards at company facilities or those of its suppliers and to commit to outside, independent monitoring. In evaluating these proposals, the following should be considered:

- The company's current workplace code of conduct or adherence to other global standards and the degree they meet the standards promulgated by the proponent;
- Agreements with foreign suppliers to meet certain workplace standards;
- How company and vendor facilities are monitored;
- Company participation in fair employment organizations;
- Type of business;
- Proportion of business conducted overseas;
- Countries of operation with known human rights abuses;
- Whether the company has been recently involved in employment and human rights controversies or violations;
- Peer company standards and practices; and
- Union presence in company's international factories.

Generally vote **against** proposals that mandate outside independent monitoring, which may entail sizable costs to the company unless there are serious concerns or controversies surrounding the company's overseas operations.

Generally vote **for** reports outlining vendor standards compliance unless:

- The company does not operate in countries with significant human rights violations;
- The company has no recent human rights controversies or violations; or
- The company already publicly discloses information on its vendor standards compliance.

## **Military business**

### **Foreign military sales/offsets**

Vote **against** reports on foreign military sales or offsets. Such disclosures may involve sensitive and confidential information. Moreover, companies must comply with government controls and reporting on foreign military sales.

### **Landmines**

Vote **for** proposals asking a company to renounce future involvement in anti-personnel landmine and cluster bomb production. We do not invest in companies involved in the manufacture of such weapons.

### **Space-based weaponisation**

Generally vote **for** reports on a company's involvement in space-based weaponisation unless:

- The information is already publicly available or
- The disclosures sought could compromise proprietary information.

## **Workplace diversity**

### **Board diversity**

Generally vote **for** reports on the company's efforts to diversify the board, unless:

- The board composition is reasonably inclusive in relation to companies of similar size and business or
- The board already reports on its nominating procedures and diversity initiatives.

Generally vote **for** proposals encouraging the appointment of the best people from a range of differing perspectives and backgrounds, taking into account:

- The degree of board diversity;
- Comparison with peer companies;



- Established process for improving board diversity;
- Existence of independent nominating committee;
- Use of outside search firm; and
- History of equal employment opportunity violations.

### **Equal employment opportunity (EEO)**

Generally vote **for** reports outlining the company's affirmative action initiatives unless:

- The company has well-documented equal opportunity programs;
- The company already publicly reports on its company-wide equality initiatives and provides data on its workforce diversity; and
- The company has no recent EEO-related violations or litigation.

Vote **against** proposals seeking information on the diversity efforts of suppliers and service providers, which can pose a significant cost and administration burden on the company.

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