

ENGAGEMENT

Policy

1 INTRODUCTION

Walter Scott is solely focused on global equity investing on behalf of its clients. The firm's core conviction is that over the long term, returns to shareholders can only ever be as great as the wealth generated by the underlying businesses in which they are invested. The primary task is identifying companies capable of sustaining high rates of wealth generation over the long term.

Engagement with companies is an important and integral part of Walter Scott's investment process. Investing in a company carries with it the responsibility to consider and monitor how the company operates with regard to all stakeholders as well as the environment.

2 SCOPE

This policy applies to the firm's engagement with all portfolio companies, and where applicable to prospect investee companies. This should be read in conjunction with Walter Scott's following policies:

- Environmental, Social and Governance Policy
- Proxy Voting Policy
- Response to the UK Stewardship Code
- Response to Japan's Stewardship Code

The above four policies, together with this policy, are publicly disclosed on the firm's website (www.walterscott.com) in the 'Disclosures' section.

3 GOVERNANCE & OVERSIGHT

Walter Scott's investment activities are overseen by the Investment Management Committee (IMC), a sub-committee of the Board of Directors of Walter Scott. Membership of the IMC comprises the firm's Managing Director, Investment Directors, senior investment personnel as well as other senior members of the firm. The committee meets formally on a quarterly basis and ad-hoc as required.

The firm has established an ESG Group (ESGG), under delegation from the IMC, to ensure adequate governance, oversight and challenge of the firm's ESG activities and compliance with the firm's related policies. The ESGG comprises *inter alia* senior investment personnel as well as other senior members of the firm. The ESGG meets at a minimum quarterly and reports to the IMC.

4 INVESTMENT PHILOSOPHY AND PROCESS

Walter Scott's investment philosophy and process, within which sustainability is an integral part, have been consistently applied since the firm was founded in 1983. All companies are subject to in-depth analysis and monitoring. The investment rationale for every stock held is built around expected long-term ownership. The search for longevity of compound returns goes hand in hand with the concept of sustainability.

Successful investing relies on an ability to discern all factors that might influence a company's valuation, at both the time of purchase and in the future. With a focus on 'bottom-up' investing, Walter Scott's investment

process is structured to avoid companies where ethical, environmental, social or governance standards are deemed to put the achievement of the long-term portfolio return targets at risk. For Walter Scott, good stewardship means acting as a responsible owner on behalf of the firm's clients thereby decreasing investment risk. Engaging with, and monitoring of, investee companies is an important and integral part of the investment process underpinned by in-depth analysis of audited financial statements and non-financial information, qualitative and quantitative company analysis and industry research.

The responsibility for ESG lies within the Investment Research team ('Research team') which is supported by the Investment Operations team in a variety of roles including proxy voting, corporate actions and policy management. Walter Scott does not have a separate ESG team. All proxy proposals and corporate actions are considered individually and decisions are aligned to the best interests of the client. Walter Scott does not undertake stock lending.

5 ENGAGEMENT APPROACH

Walter Scott takes an active approach to engagement. The firm's investment process leads to a relatively small number of investee companies. Coupled with a long term investment outlook, and generally long holding periods, conversations with senior management are typically regular and constructive. Additional engagement may occur relating to matters such as proxy voting, governance or consultation on revised remuneration policies.

The Research team aims to engage with the majority of investee companies annually. Before any investment is made, members of the team will generally have engaged with the company. Engagement activity typically involves face-to-face meetings, either at Walter Scott's office or on a research trip, and conference calls. Research trips may include site visits and meetings with various stakeholders. Written correspondence may augment engagement.

The approach to engagement is tailored, therefore interactions vary in nature and length with any material issues or concerns being prioritised. Key objectives most pertinent to the company are identified prior to engagement. Dialogue with management typically provides an opportunity to review a company's long term strategic direction, financial and non-financial performance, capital allocation, the sustainability of competitive advantage, key risks and opportunities, ESG topics and, where appropriate, disclosure. As Walter Scott invests in companies across different geographies and sectors, the environmental, social and governance issues each company faces will differ. However, key themes include, but are not limited to:

- Environment - Climate change, pollution/emissions, water management, resource consumption and waste management;
- Social - Culture, employee training and satisfaction, health and safety, demographics, affordability and access, stakeholder relationships and sustainable, traceable and ethical supply chain;
- Governance - Board structure and effectiveness, remuneration, regulation, bribery and corruption, external auditors, tax, minority shareholder treatment and cybersecurity.

It is the Research team's responsibility to identify salient issues, communicate with the company and to monitor progress and outcomes. Some engagements can yield almost instantaneous changes, for example challenges to executive remuneration policies; whilst others can take longer to bring about change, such as capital allocation priorities.

The Research team may also engage directly with topic experts, including authors, commentators and academics, where relevant.

Walter Scott's Investment Operations team generally arranges engagement, liaising with corporates directly and, where necessary, corporate access providers. Walter Scott's External Research and Corporate Access Policy details the firm's approach to corporate access and compliance with the obligations relating to inducements under Markets in Financial Instruments Directive II (MiFID II) and the UK Financial Conduct Authority's (FCA) Handbook.

6 ESCALATION

Regular dialogue with investee companies affords the opportunity to discuss events or concerns as they arise. On the rare occasion that engagement has not brought about a satisfactory outcome, a decision to escalate the level of engagement is considered. This is discussed by the 'stock champion' in conjunction with senior members of the Investment team.

Possible escalation strategies depend on the topic and may include, but are not limited to:

- Communicating with a more senior member of management or board member of the investee company;
- A formal letter outlining the particular issue(s) and expressing Walter Scott's favoured course of action;
- Seeking to engage with the Chairperson of the Remuneration Committee where there are significant concerns regarding management's remuneration;
- Voting against or abstaining on re-election of directors, voting against the remuneration report and/or remuneration policy or other management proposals;
- Consider collaborating with other investors whose interests are aligned with Walter Scott's.

Walter Scott's preferred method of escalation is generally conducted directly, and in private, with the investee company as this enables more effective long term communication.

Walter Scott may choose to sell a holding if escalation strategies are deemed unsuccessful, i.e. does not meet our anticipated outcome. The decision to divest is not taken lightly, the potential impact of the issue on shareholder return over the long term is weighed up against the investment rationale.

7 COLLABORATIVE ENGAGEMENT

Walter Scott's investment approach is based on in-depth research and results in concentrated, highly selective client portfolios. The firm's preference is to engage on an individual basis. Typically, access to management mitigates the necessity for collaborative engagement. Therefore, situations where such action might require to be considered are likely to be rare. However, where collaborative engagement is deemed to be in the best interest of clients, it would be considered. The firm's Investment Directors are the appropriate contacts in regard to any proposed collaborative engagement. Consideration would be paid to applicable rules on conflicts of interest, competition law and acting in concert.

8 PROXY VOTING

The firm has its own Proxy Voting Policy which is adhered to for all clients with the exception of any client that has directed us to follow its own policy. In voting, Walter Scott seeks to act in the best interests of its clients. This requires that each proposal is considered on its own merits. Walter Scott's Proxy Voting Policy and voting records can be found on the firm's website (www.walterscott.com) in the 'Disclosures' section.

9 MONITORING AND REPORTING

Engagement is tracked and monitored internally through meeting and conference call notes via the firm's business intelligence system. The notes are widely disseminated within the organisation to include, but not limited to, the Research team, the wider Investment team and Risk & Compliance. Any salient issues are discussed within the Research team or wider Investment team. Management information on engagement is reported quarterly to the IMC and discussed on a regular basis at the ESGG.

Walter Scott communicates with clients on a regular basis through meetings and conversations as well as via written reports, generally on a quarterly basis, which may include details of engagement and proxy voting activities as well as ESG related matters. Clients are regularly provided with proxy voting records. Walter Scott discloses proxy voting records on the firm's website (www.walterscott.com) together with the Proxy Voting Policy in the 'Disclosures' section.

10 MATERIAL NON-PUBLIC INFORMATION

Under certain circumstances, the firm may receive MNPI but asks that such information only be conveyed with prior agreement. Investee companies are informed via a letter from the Chief Compliance Officer that any communication other than on matters which are already in the public domain be sent to compliance@walterscott.com.

Walter Scott's ring-fenced team (RFT) processes communication related to shareholder engagement which is potentially MNPI such as draft remuneration policies or executive appointments/departures. The RFT comprises of the Chief Compliance Officer (or alternative within Risk & Compliance as back-up) and investment professionals who do not have direct responsibility for making investment decisions or day-to-day responsibility for investee companies. On receipt of such information clear procedures are in place to ensure that all necessary steps to comply with regulatory requirements are taken.

11 CONFLICTS OF INTEREST

Walter Scott's Conflicts of Interest Policy underpins the firm's commitment to acting in the best interests of clients at all times. The policy outlines the procedures to be followed in the event of a conflict, or potential conflict. Where Walter Scott manages assets for a publicly listed company, the client relationship has no bearing on Walter Scott's investment perspective on the company, nor on engagement with company management nor on proxy voting.

Where the firm engages with a company that is also a client of Walter Scott, or its personnel have a direct or indirect material business relationship, this is acknowledged and documented in the meeting or conference call notes.

The firm's Proxy Voting Policy addresses the steps to be taken should there be any ambiguity or potential conflicts of interest in relation to proxy voting. Both the Conflicts of Interest Policy and Proxy Voting Policy are supplied to clients at the outset of the relationship and upon any material change thereafter. These policies underpin the firm's commitment to ensure that the best of interests of all clients remain foremost in mind. The Proxy Voting Policy is publicly disclosed on the firm's website (www.walterscott.com) in the 'Disclosures' section.

12 RECORD KEEPING

Walter Scott maintains records of, including but not limited to, (a) the Engagement Policy and (b) meeting and conference call notes.

13 OWNERSHIP

This policy is owned by the IMC.