

## PROXY VOTING

### Policy and procedures

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#### 1 POLICY

Walter Scott exercises discretionary proxy voting authority with a view to safeguarding its clients' best interests where authorised to do so. The firm owes its clients a duty of care to monitor proxy voting notifications and materials and to take timely action when they are received. It is also Walter Scott's duty to vote client proxies in a manner consistent with the client's best interests without regard for any interest Walter Scott may have in the matter. This should be read in conjunction with Walter Scott's Engagement Policy.

Proxy voting by Walter Scott is undertaken on a 'best endeavours' basis as the votes instructed may not be cast in certain circumstances including, without limitation, the following examples:

- 1) The proxy documentation is not delivered timeously to the manager by the relevant custodian or ISS.
- 2) The client has a stock lending programme in place. Any such arrangement rests with clients and their appointed custodian. Walter Scott generally does not ask clients to recall stock on loan in order to vote. Walter Scott does not undertake stock lending.
- 3) Jurisdictional restrictions, split voting, excluded markets.
- 4) The instructions from the custodian to the voting entity are incomplete.

#### 2 AUTHORITY TO VOTE IN CERTAIN MARKETS

In certain markets a Power of Attorney (POA) is a legal requirement for executing voting instructions on behalf of a third party. For all clients, with the exception of the private placement funds, the Beneficial Owner/Authorised Signatory is required to execute a valid POA with their appointed custodian bank. BNYM Investment Management Cayman Limited executes such POAs on behalf of the private placement funds.

#### 3 NOTICE OF PROXY ACTIVITY

Walter Scott receives notice of proxy activity through custodians and ISS. Walter Scott's Client Administration Corporate Governance team delivers proxies to the Investment Operations team to facilitate the proxy voting process for members of the Research team, referred to as 'Stock Champions'.

#### 4 DISCRETIONARY PROXY VOTING

The Investment Operations team provides structured support such as gathering all relevant documentation and discussing the information with Stock Champions. The decision on how to vote a particular proxy is generally made by Stock Champions. Walter Scott receives third party research from ISS however, the recommendations from any intermediary has no bearing on how Walter Scott votes. All proxy votes are signed off by any of the following, the Executive Director – Investment Operations, the Head of Investment Operations, an Investment Director or a nominated Senior Investment Manager. The Client Administration Corporate Governance team administers the proxy vote.

If there is uncertainty as to how to vote a particular item, a sub-group of the Investment Management Committee (IMC), 'the Proxy Voting sub-group', will meet to decide how the item is to be voted. Any contentious issues and sub-group meetings are reviewed by the Investment Management Group (IMG) which meets weekly and all proxy voting activity is formally reviewed on a quarterly basis by the IMC. The

# WALTER SCOTT

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Investment Operations team reviews all outcomes, where possible, of the AGM/EGM meetings and notifies the Stock Champions where appropriate.

## 5 CLIENTS WITH SPECIFIC PROXY VOTING GUIDELINES

In cases where a client has given Walter Scott specific proxy guidelines, these take precedence over Walter Scott's policy except where **Walter Scott's policy, in the firm's view, is more conservative.**

## 6 RESOLVING POTENTIAL MATERIAL CONFLICTS OF INTEREST

Potential conflicts of interest may arise, such as:

- Walter Scott manages assets for a company whose management is soliciting proxies.
  - Walter Scott or its personnel have a direct or indirect material business relationship with a proponent of a proxy proposal.
  - Walter Scott or its personnel have a business or personal relationship with participants in a proxy contest.
- Where a potential conflict of interest arises, the Proxy Voting sub-group reviews the voting instructions and verifies that the voting instructions are **consistent with Walter Scott's Proxy Voting Policy and Procedures.** If necessary, the voting instructions would be changed accordingly. A member of the Walter Scott Risk & Compliance team, which is independent of the Investment and Operations functions of the firm, also attends the meeting to ensure the Proxy Voting Policy and Procedures are followed.

## 7 REPORTING

Where requested, clients are regularly provided with proxy voting records. Walter Scott discloses proxy voting records on the firm's website ([www.walterscott.com](http://www.walterscott.com)) together with this Policy.

## 8 RECORD KEEPING

Walter Scott maintains records of, including but not limited to, (a) the Proxy Voting Policy and Procedures; (b) proxy statements received for all securities held; (c) all votes cast; (d) client requests for proxy voting information; (e) **Walter Scott's response to these requests; and (f) documents material to the voting decision.**

## 9 CURRENT GUIDELINES

Walter Scott votes on all issues on a case by case basis. Walter Scott believes that the quality of a company's management is an important consideration in determining whether the company is a suitable investment. **Accordingly, Walter Scott gives careful consideration to management's views in determining how to vote a proxy, subject in all events to Walter Scott's overall analysis of the likely effect of the vote on clients' interests. The firm's guidelines on certain specific issues are given below. Where the Stock Champion chooses not to follow these guidelines he/she must specify his/her reason for doing so and the decision will be reviewed by the Proxy Voting sub-group.**

### 9.1 CORPORATE GOVERNANCE ISSUES

Walter Scott generally votes in favour of a management sponsored proposal to improve corporate governance and increase disclosure, unless the proposal is likely to have a materially negative effect on the interests of shareholders.

#### 9.1.1 COMPENSATION AND STOCK OPTION PLANS

Walter Scott generally votes for compensation plans that are reasonable. Remuneration should be aligned with the interests of long term shareholders. Consideration is given to factors such as proportionality and structure. Walter Scott typically votes against plans that would result in excessive dilution to shareholders.

# WALTER SCOTT

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## 9.1.2 DISCLOSURE OF BOARD REMUNERATION

Walter Scott opposes proposals to allow the non-disclosure of individual board member's remuneration and will generally vote against resolutions seeking approval of remuneration where no information is provided.

## 9.1.3 SAY ON PAY

In accordance with Walter Scott's long term investment approach, a more frequent advisory vote on pay is preferred. This provides shareholders with discretion to ensure that management's remuneration is aligned with those of shareholders over the long term.

## 9.1.4 DIRECTORS

Walter Scott generally supports the election of directors. In the interests of long term shareholders, the board and its committees should ideally comprise of a cross-section of directors with suitable experience and tenure. The firm is cognizant of different corporate governance standards across the globe and welcomes the increasing prevalence of independent directors on boards.

Consideration is given to individuals' other commitments which may affect their ability to carry out their function at the investee company. Where Walter Scott is of the opinion that the individual is not committing enough time to their role, in the first instance, the firm will typically seek to engage with management. If a director persistently fails to attend board and/or committee meetings, Walter Scott may consider abstaining or voting against re-election of that individual.

## 9.1.5 CLASSIFIED/STAGGERED BOARDS

Walter Scott generally supports declassification of boards as the provision for annual election of directors is typically in the best interests of shareholders over the long term.

## 9.1.6 RELATED PARTY TRANSACTIONS

Walter Scott considers each proposal on a case by case basis, taking into consideration management's guidance and whether the resolution is aligned with Walter Scott's long term investment approach.

## 9.2 CHANGES TO CAPITAL STRUCTURE

Walter Scott evaluates each proposal separately. Generally Walter Scott votes for changes such as stock splits and open market share repurchase plans where all shareholders can participate pro rata. The firm typically votes against proposals designed to discourage mergers and acquisitions of the company soliciting the proxy and other measures which do not provide shareholders with economic value.

### 9.2.1 RAISING EQUITY

The firm tends to vote against proposals that allow management to raise equity if the potential increase in the share count is more than 10% and no specific reason for the capital increase is given. If a specific reason is given Walter Scott will evaluate each proposal on its merits. Consideration is also given to potential dilution from outstanding incentive plans and the time frame for these awards.

### 9.2.2 PRE-EMPTIVE RIGHTS

Walter Scott generally votes against proposals to waive shareholders' pre-emptive rights to participate in a capital increase if the dilution potentially exceeds 10%. Situations where Walter Scott might accept waiving pre-emptive rights include, but are not limited to, the creation of shares to pay for acquisitions or to reward staff.

### 9.2.3 SHARE REPURCHASES AND REISSUANCE

Walter Scott generally approves proposals asking for permission to repurchase shares. The firm generally approves proposals asking for permission to reissue previously repurchased shares as long as the change in capital structure is in line with section 9.2.1.

# WALTER SCOTT

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## 9.2.4 POISON PILLS

Walter Scott opposes proposals to create or extend the duration of poison pills. Typically, the firm encourages companies whose board is authorised to issue blank-check preferred stock to cancel this facility.

## 9.2.5 PLEDGING OF SHARES

Where directors of investee companies pledge a significant amount of their shareholding, Walter Scott will generally seek to engage with management to discourage this practice.

## 9.3 ALLOCATION OF INCOME AND DIVIDENDS

Walter Scott evaluates each proposal separately but generally votes against proposals where the dividend allocation is persistently very low and the company retains significant cash on its balance sheet without adequate explanation. The firm may abstain if the dividend allocation has not been specified and have reasons to doubt that the ultimate amount is not in the interest of shareholders.

## 9.4 VAGUE OR POORLY-DEFINED PROPOSALS

Where proposals are vague or poorly-defined, Walter Scott generally seeks clarification from the company. If this is not forthcoming the firm will generally abstain.

## 9.5 POLITICAL DONATIONS

Walter Scott opposes proposals asking for permission to make political donations.

## 9.6 BUNDLED RESOLUTIONS

Walter Scott will generally abstain on bundled resolutions.

## 9.7 APPOINTMENT OF THE EXTERNAL AUDITOR

Walter Scott generally approves resolutions regarding the appointment of the external auditor. Each proposal is assessed on a case by case basis giving consideration to the balance between audit and non-audit fees and tenure.

## 9.8 AD-HOC ITEMS

Walter Scott abstains on proposals requesting approval for "ad hoc" items.

## 9.9 ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY ISSUES

Walter Scott evaluates each proposal separately but generally votes against proposals that involve a material economic cost to the company if it is not considered to be in the long term interests of shareholders or restricts the freedom of management to operate in the best interests of shareholders.

## 9.10 SHAREHOLDER PROPOSALS

The firm evaluates each proposal separately, taking into consideration management's guidance and whether it is aligned with Walter Scott's long term investment approach.

## 9.11 MATERIAL VOTES

Where the firm believes a resolution is material, in that the outcome could significantly affect the long term investment return, on a best efforts basis, Walter Scott will generally seek to ask clients who lend stock to recall any stock on loan. For those clients where Walter Scott does not have discretionary voting authority, on a best efforts basis, the firm will generally seek to contact clients to convey its views on the resolution.

## 10 RESPONSIBILITIES

This policy is owned by the Investment Management Committee.