

# PROXY VOTING POLICY

Considered proxy voting helps us ensure strong corporate governance and protect long-term shareholder value. It allows us to express our views and initiate or contribute to positive change, and to protect and promote the interests of our clients.

Where authorised to do so, we vote at shareholder meetings in a manner consistent with our clients' best interests. While we carefully consider management's views when determining how to vote, our final decision is always subject to our assessment of the likely client impact. While we aim to vote on every resolution, this is on a 'best endeavours' basis and may not always be possible. In the event of a vote against management, we notify the company in question, outlining our rationale for the decision.

To ensure that we have all the necessary information on an Annual General Meeting or Extraordinary General Meeting, we receive documentation on forthcoming votes from custodians and ISS. We consider the recommendations from ISS for information purposes but arrive at voting decisions independently.

## REVIEW AND MONITORING OF PROXY VOTING

Voting is overseen by the Investment Stewardship Committee and all votes

are signed off either by the Chair or Vice Chair of the Investment Stewardship Committee, Head of Investment Operations, Executive Director Investment Operations or in their absence a director of Walter Scott. The Investment Stewardship Committee will decide how to vote in the event a voting item does not fall within our policy or the investment manager or analyst has requested further guidance. Contentious issues also go to the committee for a final voting decision. The Investment Management Committee reviews any contentious voting decisions on a quarterly basis.

The Investment Operations Team is responsible for managing the proxy voting process. The team works with the investment managers and analysts to ensure voting is consistent and aligned with our current thinking and approach. The process is overseen by the Investment Stewardship Committee.

## CONFLICTS OF INTEREST

Potential conflicts of interest may arise when we exercise our discretionary proxy voting authority on behalf of client and fund accounts. For example, many of our clients are corporate-sponsored pension schemes associated with companies in which

we invest. Walter Scott as a firm or senior employees of the firm may also have business or personal relationships with companies or stakeholders involved with the proxies that we are voting. This could be, for example, the issuer, proxy solicitor or a shareholder activist. This is not an exhaustive list and we may encounter additional conflicts when exercising our discretionary proxy voting authority.

We have designed our Proxy Voting Policy, procedures and pre-established voting guidelines to ensure that only the interests of our clients influence our voting decisions. In the event of a potential conflict, the matter is referred to our Investment Stewardship Committee to confirm if the vote in question is consistent with the Proxy Voting Policy.

If the Investment Stewardship Committee determines that a vote cannot be made consistent with the Proxy Voting Policy due to an actual or perceived conflict of interest, for example if the proxy proposal is not addressed by our pre-established voting guidelines or the conflict is too great, the committee will not approve voting. Instead, it will consider options deemed necessary and appropriate to manage the conflict and act in the best interests of clients, including, but not limited to, seeking voting direction or consent from clients.

## VOTING GUIDELINES

While we consider all votes on a case-by-case basis, we have guidelines in place for specific issues. If an investment manager or analyst chooses not to follow these guidelines, they must explain the rationale and submit the conclusion to the Investment Stewardship Committee for review.

## BOARDS & DIRECTORS

### Board Independence

We expect boards to meet minimum standards of independence to be able to hold management to account. We generally like to see an independent chair of the board and/or an independent lead director. We may vote against the election of directors whose appointment would cause independence to fall below these standards, and/or against the chair of the board where we have serious concerns.

### Board Committees

Where there are separate committees to oversee remuneration, audit, nomination and other topics, we may vote against chairs or members where we have concerns about independence, skills, attendance or over-commitment, or the matters overseen by the committee.

### Board Composition and Diversity

We believe that boards should comprise a group of individuals with the requisite skills and experience to ensure effective and inclusive decision-making in alignment with the company's purpose and key stakeholders. Boards should be appropriately sized and diverse. We will consider supporting resolutions aimed at increasing board diversity if these are in the best long-term interests of shareholders.

### Director Attendance

If a director persistently fails to attend board and/or committee

meetings, we will consider abstaining or voting against the re-election of that individual.

### Director Commitments

When voting on directorships, we give consideration to each individual's other commitments and the extent to which these might compromise their ability to carry out their responsibilities. If we believe a director is not fully committed to their role, we will typically seek to engage with the company in the first instance.

### Classified/Staggered Boards

We generally support declassification of boards. The provision for annual election of directors is typically in the best long-term interests of shareholders.

## AUDIT

### Appointment of External Auditor

The selection of an external auditor should be subject to shareholder approval. There should be transparency in advance of an audit tender so that shareholders can engage with the company in relation to the process should they wish to do so. It is our preference that the auditor should be rotated at appropriate intervals both at the audit partner and firm level. Provided we deem the balance between audit and non-audit fees and tenure to be appropriate, we will generally approve resolutions regarding the appointment of external auditors.

## REMUNERATION

### Disclosure

Remuneration disclosure should be transparent and understandable. It should facilitate comparability and accountability, while aligning with the long-term strategic objectives of the business. We will generally vote against disclosure that fails to meet these standards.

### Executive Pay

It is our preference for executive remuneration to align the interests of management and directors with long-term sustainable value creation. We generally vote in favour of compensation plans that we consider reasonable and proportionate. We will consider voting against proposals that appear excessive in the context of wider industry pay practices.

### Employee Stock Purchase Plans

We are in favour of employee stock plans that align with the interests of shareholders and are appropriate in quantum.

### Say on Pay

We favour a more frequent advisory vote on pay. This ensures long-term alignment between management's remuneration and the interests of shareholders.

### Non-Executive Remuneration

The board as a whole should determine levels of pay for non-executive directors and the non-executive chair in such a manner as to ensure independence, objectivity, and alignment with shareholders' interests. Performance-based pay or share options should not be granted to non-executive directors and non-executive chairs.

## CHANGES TO CAPITAL STRUCTURE

### Raising Equity

We tend 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 then we will evaluate each proposal on its merits. We also give consideration to potential dilution from outstanding incentive plans and the timeframe for these awards.

### **Pre-emptive Rights**

We generally vote against proposals to waive shareholders' pre-emptive rights to participate in a capital increase if the dilution potentially exceeds 10%. We may accept waiving of pre-emptive rights in certain situations, such as the creation of shares to pay for acquisitions or to reward staff.

### **Share Repurchases and Reissuance**

We will typically approve proposals asking for permission to repurchase shares. Furthermore, we will generally vote for proposals to reissue previously repurchased shares as long as the change in the share count is less than 10%.

### **Takeover Protection**

We will generally vote against anti-takeover proposals or other 'poison pill' arrangements, including the authority to grant shares for such purposes.

## **PROTECTION OF SHAREHOLDER RIGHTS**

### **Voting Structures**

Our preference is for a 'one share, one vote' voting structure for ordinary or common shares. We discourage any divergence from this approach that gives certain shareholders power or control disproportionate to their economic interests. In the event that such voting structures already exist, we encourage disclosure and explanation, and favour the use of 'sunset' mechanisms.

### **Dual-Class Share Structures**

We discourage dual class share structures. If these already exist, then we encourage regular review and commensurate extra protections for minority shareholders, particularly in the event of a takeover bid.

### **Related-Party Transactions**

We consider management's guidance on related-party transactions and we

will vote in favour if the resolution aligns with the best interests of shareholders in the long-term.

## **MISCELLANEOUS**

### **Allocation of Income and Dividends**

We may consider voting against proposals where the dividend allocation is below what we consider appropriate and the company retains significant cash on its balance sheet without adequate explanation. We may abstain if a company has not specified the dividend allocation.

### **Vague or Poorly Defined Proposals**

Where proposals are vague or poorly defined, we generally seek clarification from the company. If this is not forthcoming, we will generally abstain.

### **Political Donations**

We oppose proposals asking for permission to make political donations.

### **Pledging of Shares**

We generally discourage the pledging of stock by management and directors of investee companies.

### **Bundled Resolutions**

We review bundled resolutions on a case-by-case basis and encourage unbundling.

### **Sustainability and Corporate Responsibility Issues**

We consider sustainability and corporate responsibility resolutions, including those relating to climate risk, on a case-by-case basis. We will generally vote in favour of proposals that improve standards and practices, and which are in the long-term interests of stakeholders.

### **Shareholder Proposals**

We evaluate each proposal separately and take due consideration of materiality and management's guidance. If the proposal is in the

long-term interests of stakeholders, we will typically vote in favour.

### **Ad-Hoc Items**

We abstain on proposals requesting approval for ad-hoc items.

## **REPORTING ON PROXY VOTING**

We publish aggregate annual voting data on our website, alongside quarterly resolution-level data. Our annual Sustainability report also includes aggregate quarterly voting data.

**REGULATORY  
INFORMATION**

Walter Scott & Partners Limited (Walter Scott) is an investment management firm authorised and regulated in the United Kingdom by the Financial Conduct Authority in the conduct of investment business. Walter Scott is a wholly owned non-bank subsidiary of The Bank of New York Mellon Corporation. Walter Scott is registered in the United States under the Investment Advisers Act of 1940.

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**RISK FACTORS  
& IMPORTANT  
INFORMATION**

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