

# ENGAGEMENT POLICY

## INTRODUCTION

Our investment philosophy is to seek out and own high quality, durable and resilient companies with long-term growth potential. We aim to be engaged owners of these companies on behalf of our clients.

The emphasis of our engagement work is on 'business-as-usual' meetings with management teams and independent board directors alike, providing a forum for our research team to ask for further information on topics that are deemed to be materially relevant to long-term financial performance. In selective instances, where we believe it to be of value to our clients, we have a more formalised and structured approach to engagement.<sup>1</sup>

## OUR APPROACH

When we invest in a company, we inform management of our shareholding and provide a copy of our Proxy Voting policy. We also set out the expectations that we consider management should have of Walter Scott. Similarly, when we sell an investment, we typically inform the company, explaining our reasons for doing so.

Given our relatively small number of investee companies, we aim to engage with most companies at least annually. This typically involves face-to-face meetings, either at our offices or on research trips, and conference calls. Research trips may include site visits and meetings with various stakeholders of the company in question. Written

correspondence can also serve as a method of engagement, as well as to augment other forms of engagement.

## ENGAGEMENT FRAMEWORK

There may be circumstances where it is appropriate to initiate a formal engagement pertaining to an issue at a specific investee company. Such engagements are agreed with Walter Scott's senior management and are monitored by the Proxy Voting & Engagement Group (PVEG).

Typically, formal engagements involve a series of one-to-one meetings and correspondence where we discuss our views on a particular issue. Engagement is undertaken to seek to improve the long-term returns of companies and therefore to create long term value for clients, consistent with applicable fiduciary duties and client objectives.

Given our regular engagement with companies, and our position as long-term owners, the need for escalation is often limited. We also recognise that it can take time for certain issues to progress. However, if we are not satisfied with the progress of an engagement, we will further involve the PVEG in the first instance. Where appropriate, the Investment Stewardship & Sustainability Committee (ISSC), advised by the PVEG, will determine the approach going forward on a case-by-case basis. Steps taken may include the following:

- ➔ Communication with more senior management or board members

- ➔ A formal letter
- ➔ Engagement with the chairperson of the relevant board committee
- ➔ Subsequently voting against or abstaining on management proposals.

In the event that we do not get comfortable, it may contribute to a decision to sell our investment.

A discussion related to environmental, social and governance issues may occur where we deem it is in the long-term financial interest of shareholders. Our tailored approach enables us to focus on the issues or concerns material to each company. While these issues will inevitably differ by company, they will typically fall within one of the following categories, where appropriate:

- ➔ Business Strategy
- ➔ Environmental and Climate Considerations
- ➔ Social Considerations and Human Capital
- ➔ Corporate Governance

Responsibility for company engagement sits with the investment manager or analyst who covers the stock.

However, reflecting our team approach, the decision to pursue a specific engagement objective can come from a number of sources:

<sup>1</sup>We do not acquire or hold securities for the purpose or effect of changing or influencing control of management for purposes of Rule 13d-1(b) and Rule 13d-1(c) of the Securities Exchange Act of 1934, as amended.

- The investment manager or analyst responsible for the research into the company identifies an objective and seeks confirmation to proceed from the Chair(s) of ISSC and/or Head of Research.
- Another member of the Research team, Investment Executive or Stewardship & Sustainability team identifies an objective and flags this to the investment manager or analyst responsible for the company. Agreement to proceed is then sought from the Chair(s) of ISSC and/or Head of Research.
- The PVEG identifies engagement objectives for specific companies or a thematic engagement across multiple companies. Our Engagement Policy applies to all engagement with all investee companies, and with prospective investee companies (where applicable).

## PROXY VOTING

We engage with companies on proxy voting on a case-by-case basis, allowing us to express our views on specific issues, and to contribute to protecting and promoting the best interests of our clients. Considered proxy voting enables us to support effective corporate governance and the management of material risks (including, but not limited to, sustainability), supporting long-term shareholder value creation. Further details can be found in our Proxy Voting Policy.

## MONITORING ENGAGEMENT

It is the responsibility of the relevant investment manager or analyst to monitor the progress of engagements using a consistent process set by the ISSC. Any salient issues are discussed with the PVEG and, if appropriate, the wider Research team, ISSC and Investment Executive. The ISSC monitors engagements and the effectiveness of our approach at a formal quarterly meeting.

## COLLABORATION

We think collaboration with other investors can be a useful tool in certain situations. For example, collective engagement can help drive ongoing improvements in governance and sustainability practices at our investee companies. As well as collaborating on company-specific matters, we may also choose to engage with other investors on regulatory and policy matters, as well as engaging with regulators and policymakers directly on relevant issues.

Whether to collaborate is a decision that we approach on a case-by-case basis and is the responsibility of the ISSC, on the recommendation of the PVEG or the Sustainability Policy and Regulation Group as appropriate. We will only undertake to work with other investors if we believe it is likely to prove effective and that it is in the best interests of our clients, and provided we can do so in a manner

that is in full compliance with all applicable laws and regulations.

## CONFLICTS OF INTEREST

In the event of a conflict of interest, or potential conflict of interest, we follow our Conflicts of Interest Policy. We also adhere to the conflicts policy of our parent company, BNY. Our Proxy Voting Policy outlines our approach to any ambiguity or potential conflicts of interest in relation to proxy voting.

## REPORTING

All engagements are recorded on internal systems and meeting notes are sent to all relevant parties within Walter Scott. Under the European Union's Shareholder Rights Directive II (EU 2017/828), we publish an annual report outlining how we have implemented our engagement policy in the previous 12 months. This regulation was incorporated into United Kingdom Law in June 2019.

Responsibility for internally reporting material changes lies with Investment Operations. Quarterly updates requested from the relevant investment manager/analyst will inform internal reporting to the ISSC on all material changes during the period.

## OWNERSHIP

This policy is owned by the Investment Management Committee and is reviewed annually.

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