

## STONEHAGE FLEMING INVESTMENT MANAGEMENT UK **ENGAGEMENT POLICY** FOR SF GLOBAL BEST IDEAS EQUITY FUND

This document is specific to the management of the Stonehage Fleming Global Best Ideas Equity Fund and all affiliated segregated portfolios where the same investment manager and team has discretionary power to engage with companies on a client's behalf. This document will refer to these collectively as "GBI", the "GBI product" and/or the "GBI team". GBI (and related products) are part of the Global Equity Management ("GEM") division of Stonehage Fleming Investment Management UK ("SFIM-UK").

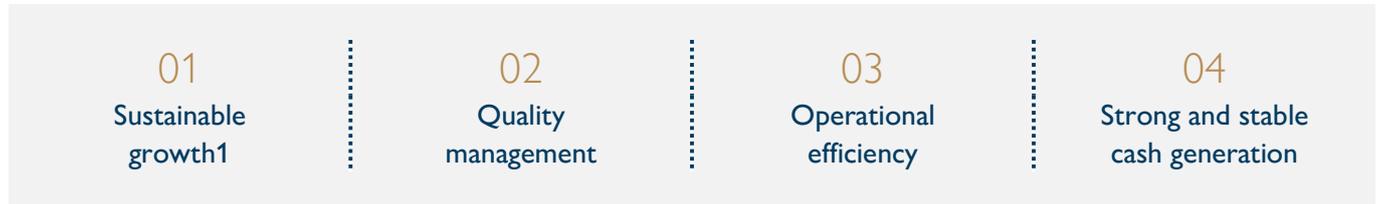
The Engagement Policy of GBI is built upon the 4-E framework as set out by the SFIM-UK broader Engagement framework. The GBI research team is directly responsible and accountable for effective engagement with companies in its core investment universe that is intended to serve in the best, long term interests of the underlying fund investors and product clients. The 4-E framework for engagement states that the GBI team will endeavour to:

1. **Explore:** direct engagement with companies exploring financial and ESG topics to gain full understanding of current standing, strategy and outlook
2. **Encourage:** follow industry standards/best-practise to drive conformity towards universally agreed targets/standards
3. **Enhance:** identify key company risks/gaps, capture data and report on outcomes of engagement
4. **Experience:** advocate on behalf of clients for enhanced outcomes. Provide best-in-class service on engagement activity reporting

The GBI Engagement Policy is also intended to fully align GBI with the 12 Principles of the UK Stewardship Code which SFIM-UK became a signatory to in 2022.

## 1. GBI INVESTMENT PHILOSOPHY

The Stonehage Fleming Global Best Ideas Equity Fund (**GBI**) owns a concentrated portfolio of best-in-class global companies, with a strategic competitive edge and endeavours to acquire them at an attractive valuation. The investment strategy is built upon our four-pillar approach, intended to identify the highest quality companies. The four-pillars are:



The GBI team completes its own in-house, detailed company research, focused on these four key areas. Whilst we follow an active investment approach and own a concentrated number of companies (25-30), we do not typically seek to actively engage with our companies to bring about a change in business strategy or policy. If we are effective in our research efforts and we are successful in identifying and owning the highest quality global companies with the best management teams, the need for active engagement should be less critical for investment performance. Should the quality of a company decline (and no longer deliver on our 4-pillar philosophy) we are more likely to exit our position in that company, rather than risk taking timely, costly and often unpredictable active engagement with management/Board/other shareholders to bring about change. Our approach is to own only the very best companies, rather than own companies that could be the best if certain strategic changes were made.

## 2. GBI RESEARCH PROCESS AND ENGAGEMENT

The GBI team maintains coverage of a core universe of >150 best candidate companies from which it selects 20-30 to hold in the GBI fund. Membership of the core universe is proactively managed and is determined largely by a 15 point quality test screening process, along with the collective experience and insights of the research team. It also may consist of close competitors to holdings of the GBI fund. The core universe is periodically reviewed to ensure its relevance and quality.

Priority weighting is applied to all companies in the core universe, whether or not they are owned, to reflect the degree of quality, likelihood of ownership and thus time and resource the responsible analyst should allocate to that company. Weights are reviewed periodically to ensure the appropriate allocation of research hours.

Company research responsibility is evenly split across the analyst team. Companies are split between high and low weight with the majority of research hours allocated to the high weight names and in particular those owned by the fund. Holdings in the fund are distributed across all analysts.

Analysts are expected to engage with any company under their coverage at any time, whether owned or not and regardless of the weight. Analysts are free to engage with a company on any appropriate topic, though it is common for our engagements to be framed around our four pillar philosophy and to focus on the long term strategy and management culture. Our engagement falls into two categories: 1) investment, financial and strategic engagement and 2) ESG engagement (see paragraph 3 and 4 for more details).

We may engage with companies at all stages of our investment process, i.e. prior to investment/initial monitoring phase, whilst owning, and still after exiting the position (assuming it remains in the core universe).

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<sup>1</sup> "Sustainable growth" refers to long term financial performance rather than ESG performance

## 2.1 Coverage Initiation

When first initiating coverage on a company, we complete a detailed thorough research report that covers all important aspects for assessing it as a potential investment. In producing this report it is common (but not compulsory) for us to engage with a company to source information, typically on its strategy, operations and management culture.

Having initiated coverage on a company we often monitor and “live with” the company for several years before we may make an initial investment. During that period we will maintain full oversight of it, and this may, if necessary, involve further engagement. In this monitoring period our engagement may move beyond that of initial fact finding and further into exploring the strategy and understanding any key events that drive the company’s financial performance and share rating. We may also engage on ESG topics during this period.

## 2.2 Monitoring of Holdings

The majority of our engagement hours are spent with companies we own in the GBI Fund. We take our voting responsibility seriously and actively vote on all companies where we can (see Voting Policy below), and without loss of liquidity. As stated in our Voting Policy, we strongly support the pursuit of best-practice in corporate governance and thus we will, when necessary, also engage with our companies on specific governance issues that may call into question the quality of the company’s management/Board oversight.

In the pursuit of corporate governance best practice, we believe it is important to go beyond simply flagging poor practice and voting against it. We will also endeavour to promote good corporate governance across the investment management industry. We do this through the training and development of our analysts, all of whom are CFA charter holders, through the promotion of company governance in our discussions with third parties and by actively notifying companies we own of the expectations/standards we expect, regardless of the outcome of that engagement.

We monitor our companies for environmental and social risks. It is a key element of our research into our pillars on management quality and sustainable growth. We are starting to engage more with companies we own on environmental and social issues and expect to do more going forward. Our focus currently is on financial risks from a failure to address E&S risks, though we are increasingly questioning the steps our companies are taking to ensure they comply with multilateral, geopolitical commitments such as the Paris climate accord and the corporate principles of the UN Global Compact. To support our engagement we use the services of RepRisk that alerts us to potential breaches and commitment shortfalls.

## 2.3 Position Exit

We may typically sell a company for the following reasons:

- ▶ It becomes materially overvalued
- ▶ To make space for an even higher quality company entering the fund
- ▶ A structural/strategic change at the company negatively impacts our reason for buying the company initially

In the first two instances the sold company will likely remain in our core universe though its weighting may change. It may even be a candidate for repurchase at a future date. As such the responsible analyst will continue to cover and monitor the company and on that basis may continue to engage with the company as and when necessary.

### 3. INVESTMENT/FINANCIAL/STRATEGIC ENGAGEMENT

The GBI research team will proactively engage with companies in its core universe to discuss and source relevant public financial, investment and strategic information. It is common for such discussions to be led by our four pillar approach, but any topic can be discussed, including any one-time events such as a corporate action.

Our focus on only the highest quality companies implies we would rather sell a company that declines in quality, rather than wait and engage with it actively in the hope of being able to bring a turnaround in quality. Likewise, when we initiate coverage on a company if it fails to meet our required level of quality on its own effort, we are unlikely to engage with it to try to trigger change at the company.

We firmly believe that the best management teams should have a far superior understanding of their business operations than us. Whilst we must be alert for management miss-selling the merits of a company, providing they are appropriately incentivised, we prefer to trust that our interests are mutually aligned and that we can trust the Board and Management team to always act in our (shareholders') best interest.

### 4. ESG ENGAGEMENT

We have always sought to promote corporate governance best practice. We have also always incorporated ESG risk analysis into our research process. We recognise that in recent years there has however been a material increase in the expectation of the investment community to engage proactively with investee companies to advance social and environmental issues and champion corporate governance best practice. Multiple international standards and targets have been introduced that are in part using shareholders to apply pressure on companies to progress their operations to higher standards of disclosure and behaviour on environmental and social issues.

The GBI team fully recognises this expectation placed upon us as investors and willingly intends to act accordingly to help deliver more responsible investing/investments. The GBI team will proactively engage with companies in our core universe on environment and social risks that the companies face. We will also actively engage on matters of governance and notify our companies of the level of quality we expect, regardless of whether the companies respond to us or not.

We currently conduct additional ESG specific research on our companies should they have a RepRisk score over 50, which are discussed at our monthly ESG Risk Investment Committee meetings. An outcome of this additional research can be the writing of a letter to a company seeking a response to how its ESG risks are being managed and remediated. In addition, we will review a company's own ESG commitments and alignment to international standards such as TCFD and UNGC, and how it is managing its transition to these new standards. We recognise that many companies in the US have recently reduced their level of climate and DEI related disclosures. We will however continue to engage on all related topics if necessary.

We go beyond engaging on issues that pose an immediate financial risk. In collaboration with our colleagues across SFIM-UK we identify one pertinent topic each year that we engage with all our companies on. The findings of this are published in SFIM-UK's annual Stewardship Report.

### 5. ENGAGEMENT ESCALATION POLICY

We often have regular dialogue with a company's Investor Relations team but we recognise that there may be circumstances when we need to escalate our engagement beyond that level. Whilst it may be rare that we need to escalate our engagement levels, we recognise the value of a formal procedure should we need to.

The escalation policy below can be executed before or after a shareholder vote, or far from the AGM in a fiscal year. We can of course also sell our holding in a company at any time, noting that greater losses may be incurred by delaying an exit decision simply due to this policy.

This escalation procedure is not binding, but we do consider it to be best practice.

- ▶ Communicate with IR via email, phone or meeting
- ▶ Communicate with Senior Management via email, phone or meeting
- ▶ Communicate with appropriate Board member via letter, email, phone or meeting
  - Financial/Strategic = Chair of relevant committee
  - ESG = Chief Sustainability Officer or Board member responsible for ESG
- ▶ Communicate with Chair of Board or Lead Director if Chair is not independent
- ▶ Collaborate with other shareholders on topic and communicate to Board
- ▶ Consider raising external awareness in media

We recognise the power of engaging with management when we have made a dissenting vote, especially on matters of governance best practice, where we will consider writing to the Board to explain the rationale of our voting decision.

## 6. CONFLICTS OF INTEREST WHEN ENGAGING WITH COMPANIES

Refer to the [Stonehage Fleming Conflicts of Interest Policy](#).

## 7. DISCLOSURE OF NON-PUBLIC INFORMATION GATHERED THROUGH COMPANY ENGAGEMENT

Refer to the [Stonehage Fleming Market Abuse Policy](#).

## 8. ENGAGEMENT REPORTING & DISCLOSURE REQUIREMENTS

We keep full records of all engagement with companies, both to support the research effort, but also to monitor our overall engagement activity and impact. We capture core meeting date, topics, activity and outcomes. It is unusual that there will be a material outcome from the engagement we complete, given the size of our holding in the companies, and as we don't usually seek to instigate change at a company.

We produce a summary of our engagement activity on an annual basis in accordance with FRC guidance that we make publically available on our website and on request by clients. We may highlight case studies of our engagement throughout the year, which we include in our annual stewardship report. We report all our engagement into Stonehage Fleming Investment Management's Sustainable Investment and Stewardship Committee.

## 9. ENGAGEMENT INCENTIVE ALIGNMENT

Individuals in the GBI team responsible for engagement and related policy execution are assessed annually on their adherence to this policy, via the inclusion of an independent objective for each relevant individual in their annual appraisal. This objective is part of an individual's overall annual appraisal score and rating, which is used to determine an annual discretionary bonus award and possible promotion eligibility.

## 10. ENGAGEMENT POLICY REVIEW

The GBI investment committee will review this engagement policy on an annual basis.

# STONEHAGE FLEMING INVESTMENT MANAGEMENT UK

## VOTING POLICY

### FOR SF GLOBAL BEST IDEAS EQUITY FUND

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This document provides guidance that the GBI team will follow when exercising its vote. The GBI team is not bound by any item in this document and can vote at its complete discretion on any matter. Where GBI's vote is not in accordance with this policy, a rationale for the decision will be recorded and approved by the Portfolio Manager. Records of all voting activity will be maintained and published in accordance with FRC guidance. This is not a complete/final list of guidelines and is open to amendment.

#### 1. ROUTINE MATTERS

GBI will support:

- ▶ Approval of financial statements and auditor reports that have an unqualified auditor's opinion
- ▶ Updating/amending of a charter/articles of association/bylaws that are corrective in nature, but that do not weaken shareholder rights
- ▶ Administrative proposals

GBI will oppose:

- ▶ Routine matters where insufficient information is provided to make an informed decision
- ▶ Un-contested re-appointment of auditors with a tenure of >15 years.

#### 2. BOARD OF DIRECTORS

GBI will support:

- ▶ Separation of Board Chairperson and CEO function
- ▶ Independent Chairperson
- ▶ At least 2/3 independent Board membership (excluding those with >10 years tenure)
- ▶ Clear division of powers
- ▶ Independent members heading and sitting on Audit, Remuneration and Nomination committees
- ▶ Nominations that improve the diversity of Board membership
- ▶ ESG accountability at Board level

GBI will oppose:

▶ Election of Board members:

- With direct conflicts of interest
- With unethical, negligent, unlawful behaviour
- Insufficient experience to effectively fulfil functions
- A consistently poor attendance record (<75% for two consecutive years)
- Election of executive/non-independent director to audit, remuneration and/or nomination committee
- Shareholder backed nominations that are not proportionate to % shareholding in the company
- A director who is over-boarded. Examples of what GBI consider to be over-boarded are:
  - Being on the Board of 3 or more large-cap public companies
  - More than 2 independent Board positions and an executive role at a large-cap public company

Exceptions can be made in special cases. We recognise in the drive to diversify Boards, many leading female executives might be considered as over-boarded. These are usually high-performing individuals and we consider the benefit of the diversity they bring to outweigh being over-boarded (though attendance records must still be good)

▶ Bulk nominations

▶ Proposals that discharge directors from responsibility for their actions

### 3. REMUNERATION

GBI will support:

- ▶ Remuneration plans that align compensation with the interests of shareholders. We will favour schemes that are aligned with our own philosophy, with, for example, operating margin, ROIC and cash conversion targets
- ▶ Long-term financial incentive schemes that are in the interest of shareholders
- ▶ “Claw-back” arrangements
- ▶ Employee stock based compensation schemes that align shareholder and management interest, provide an appropriate form of incentive, and are necessary for a company to compete for top-talent

GBI will oppose:

- ▶ Granting stock options below fair market value
- ▶ Backdating of awards
- ▶ Excessive rewards
- ▶ Resetting financial target to increase financial awards
- ▶ Schemes without transparency
- ▶ Schemes without clear, measurable financial targets
- ▶ Excessive severance payments for directors who did not create appropriate shareholder value

GBI recognise the value that management create over a long period of time that may not be reflected in EPS today. We recognise incentivising such long-term thinking may result in periods of high total compensation if ambitious financial targets are achieved or well exceeded.

#### 4. ISSUE OF CAPITAL AND CHANGES IN CAPITAL STRUCTURE

GBI will support:

- ▶ Management proposals on changes to the capital structure that are in the interest of shareholders. Such proposals may include:
  - Equity issues that are not excessively dilutive
  - Equity and debt issues in support of a corporate action that we support
  - Equity issue to fund management incentive schemes as long as not excessively dilutive
  - Equity and debt issues that ensure the ongoing liquidity of the company
  - Equity issues that only occasionally take advantage of an excessively high equity value
  - Equity repurchases that opportunistically take advantage of low equity value
  - The elimination of preferred stock not available to all shareholders
- ▶ Stock splits and reverse splits
- ▶ The cancellation of treasury shares
- ▶ Dividend proposals
- ▶ Alternatives to cash dividends
- ▶ Share repurchases

GBI will oppose:

- ▶ Excessive and unnecessary equity issues that dilute our economic interest in the company
- ▶ New debt issuance with covenants that diminish the rights of equity owners
- ▶ The issue of new share classes, whether with favourable terms and/or pricing or not
- ▶ The introduction of new share classes with differential voting rights

GBI considers excessive equity dilution to be a level at which our valuation per share of a company is materially negatively impacted and/or our overall rating of the company's quality is diminished.

GBI believes that a Board should have discretion to dilute the equity interests of ordinary shareholders by no more than 5.0% in a year.

#### 5. MERGERS & ACQUISITIONS

GBI will consider mergers and acquisitions on which we are required to vote on a case-by-case basis and will act in the best interests of our clients. We will consider the merits of the strategic and financial rationale for the transaction regardless of whether it is mutually agreed by both parties, or is hostile.

## 6. TAKEOVER & SHAREHOLDER RIGHTS

GBI recognises arguments for and against takeover defences, and recognise the existence of different regional corporate practices. GBI will always vote in the best interests of our clients and will consider all facts and possible outcomes as and when such a vote is required.

GBI will support:

- ▶ A threshold of 20% of more of shareholders' right to call a special meeting

In recent years we have seen numerous shareholder proposed votes to lower the threshold to 10%. We believe 20% is sufficient. Whilst we would not oppose a company adopting a lower threshold, we see increased risk of a small number of shareholders being able to unduly influence a company in a way that may not be in the best interests of long-term shareholders.

GBI will oppose:

- ▶ The introduction of anti-takeover provisions, especially where shareholder rights are marginalised
- ▶ Classified Boards
- ▶ Restrictions on shareholder ability to remove directors
- ▶ Super qualified majority voting requirements
- ▶ Reimbursement of dissident proxy solicitation expenses
- ▶ Granting the Board authority normally reserved for shareholders
- ▶ Shareholder rights plans

## 7. ENVIRONMENTAL AND SOCIAL

GBI recognises that poor environmental and social policies and oversight by a company's Board and its management results in significant financial, legal and reputational risk. Where a Board or management is negligent in taking action on a social/environmental risk that could negatively impact shareholder value, we will exercise our votes in order to effect changes and to protect the financial interest of our client. This includes potentially voting against Board re-election or committee membership.

GBI will consider the financial risk exposure to the company operations in determining our voting intentions. We will consider this in respect of:

- ▶ Direct environmental and social risks
- ▶ Risk from legislation and regulation
- ▶ Legal and reputational risks
- ▶ Governance risks

Due to the complexity and need for specialist expertise in assessing these specific social and environmental risks, GBI will, in general, closely consult with the recommendation of our 3rd Party proxy advisory services company (e.g. Glass Lewis). In any instance where we vote against their recommendation GBI will provide a full rationale for our decision that must consider the needs of our clients.

## 7.1 Environmental

GBI recognises the importance our companies managing their environmental risks. Failure to do so may have negative implications for their long-run sustainable growth. The risk for a company in not striving to reduce its negative impact on the environment is a risk to its long-term financial performance and therefore to its shareholders.

GBI will support:

- ▶ Proposals that enable a company to manage its environmental risk that is of benefit to both its local and wider environment and to shareholders
- ▶ Proposals that align a company to the Paris Climate Agreement

GBI will oppose:

- ▶ Proposals that will result in duplication of disclosures already made by the company
- ▶ Proposals that will unnecessarily distract and use up a disproportionate quantity of a Board's time
- ▶ Proposals that we deem unrelated/or counter intuitive to the pursuit of corporate social justice

## 7.2 Social

GBI is committed to the pursuit of social justice. We encourage all our companies to adopt and embrace policies that improve equality on issues of gender and race equality, pay equity, equality of opportunity, good health and wellness, local community engagement, etc., as not only is it the right thing to do but it forms a key element of our Management pillar. We also recognise evidence that companies with poor social issue scores have greater risk of poor financial performance from high staff turnover.

GBI will support:

- ▶ Proposals that we deem will be of direct benefit to the company, all its employees, its community and its shareholders
- ▶ Proposals that will reduce any social risks that the company is or may be facing

GBI will oppose:

- ▶ Proposals that will unnecessarily distract and use up a disproportionate quantity of a Board's time
- ▶ Proposals that we deem unrelated/or counter intuitive to the pursuit of corporate social justice
- ▶ Proposals not in shareholders' best interests
- ▶ Proposals that will result in duplication of disclosures already made by the company
- ▶ Proposals with a political motive, whether explicit or not. In recent years we have noted a rise in proposals from political interest groups on all sides of the political spectrum. Their motivation is seldom in the best interests of the company's shareholders, its stakeholders nor society at large.

## 8. GOVERNANCE

GBI actively promotes corporate governance best-practice. We are committed to ensuring the highest standards of corporate governance at the companies we own and will always consider with upmost importance the impact any vote will have on this matter, alongside analysis of the financial implications.

GBI will engage with a Board/management if we perceive negative governance risk to potentially result in material

financial risk to a company we own. Good governance should not have to come at the expense of financial performance.

Governance issues are generally covered by many of the above topics. Where additional votes on governance issues arise and require GBI to vote, we will always do so in the best interest of our clients, after careful consideration of all the facts and implications.

GBI will support:

- ▶ Proposals that improve the quality of corporate governance at a company, providing any related costs are not excessive or overly burdensome

GBI will oppose:

- ▶ Proposals that diminish the quality of governance at a company
- ▶ Proposals that will unnecessarily distract and use up a disproportionate use of a Board's time
- ▶ Proposals that we deem unrelated/or counter intuitive to the pursuit of quality corporate governance
- ▶ Proposals not in shareholders' best interests

## 9. CONFLICTS OF INTEREST

Issues that can raise a material conflict of interest could include (but are not restricted to) an issuer soliciting a vote who is a client of Stonehage Fleming or an affiliate of the company.

Issues may arise where GBI determines that there is a material conflict of interest. In such instances GBI will notify the specific client of its specific voting intentions. If there is disagreement between GBI's voting intention and the wishes of the individual client, GBI will abstain from the specific vote for that specific client. GBI will also refer to the SFIM-UK group conflicts policy and may take further action if required.

GBI will record the same vote for all clients and funds, the only exception being the abstention scenario outlined above.

## 10. REPORTING & DISCLOSURE REQUIREMENTS

In accordance with the UK Shareholder Right Directive, as of 1st September 2020 GBI/SFIM-UK has made full disclosure of all company votes and will continue doing so going forward. This policy guideline document will be made available on request.

## 11. POLICY REVIEW

The GBI Investment Committee will review its voting policies on an annual basis at the very least. Ad-hoc reviews and amendments can be made at any time should the need arise, as long as full records and rationales of changes are kept. A record of the annual review will also be maintained.

Date	Subject/Amendment Detail	Approval
07/08/2020	Document Initiation & initial approval	Ti, GES, MS, NM.
13/08/2021	Annual review and approval	GES, Ti, MS, NM, SH.
09/08/2022	Annual review and approval. Minor edits made. Additional comments to opposed politically motivated vote proposals and to engage and oppose entrenched auditors	Ti, GES, MS, NM.
31/03/2023	Minor amendments made to voting policy as part of consolidation of Engagement and Voting policies.	GES, Ti, MS, NM, DS.
22/08/2023	Annual review. No major changes. Separate reports produced for each fund, rather than one covering all.	Ti, GES, MS, DS.
08/08/2024	Addition of reference to appraisal objective on engagement policy compliance. Reduction of number of annual universal ESG engagements to 1 from 2 (e.g. UN Global compact policy request).	Ti, GES, MS, DS, PN.
12/09/2025	Changes to Engagement Policy: 1) comment added on reduction on US disclosures on DEI and climate, 2) deleted reference to Collaboration Policy and 3) added reference to SISC reporting.	Ti, GES, MS, PN, CB.