

**EDGBASTON INVESTMENT PARTNERS LLP**  
**STEWARDSHIP AND SHAREHOLDER ENGAGEMENT<sup>1</sup>**

Edgbaston Investment Partners LLP (“**Edgbaston**”) aims to provide strong investment returns combined with excellent client service and sees a considered approach to stewardship and shareholder engagement as an integral part of this. Edgbaston recognises the need to engage with the management and directors of its portfolio companies and to exercise its proxy voting rights with a view to enhancing its clients’ long-term investment values. These steps are both compatible with good corporate governance and provide the best operating environment for portfolio companies to cope with competitive commercial pressures.

With reference to the principles of the Financial Reporting Council’s UK Stewardship Code<sup>2</sup> (the “**Stewardship Code**”), this document seeks to explain what Edgbaston expects from its portfolio companies and what those companies can expect in return from Edgbaston.

**Principle 1 – An investment firm should publicly disclose its policy on how it will discharge its stewardship responsibilities.**

Edgbaston seeks to discharge its stewardship responsibilities by ensuring that the boards of portfolio companies are appropriately structured and function effectively, and by adhering to its Proxy Voting Policy (attached at Appendix 1) and Environment, Social and Governance Policy (attached at Appendix 2).

Edgbaston expects to see the following in a corporate board:

- Independence from management;
- Suitably qualified and diverse board members with a good understanding of the business risks and opportunities;
- A focus on the protection of shareholders’ rights, including treating all shareholders equally;
- Sufficient oversight, including an objective evaluation of management and ensuring their remuneration programmes align to shareholders’ long-term best interests;
- A commitment to ensuring the company earns an attractive return on the capital contributed by shareholders.

**Principle 2 – An investment firm should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.**

Edgbaston recognises the importance of identifying potential material conflicts and the need to have adequate systems and controls to avoid or mitigate their impact on clients. Edgbaston is a privately owned, independent partnership, which implements a single investment programme for its clients. As such, Edgbaston has specifically structured its business to ensure that its interests and the interests of its members and employees are aligned as closely as possible with those of its investors, for example, through ownership interests and

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<sup>1</sup> This document meets the requirements of an “engagement policy” under the amended EU Shareholders’ Rights Directive (“SRDII”). It will be reviewed once the outcome of the UK Financial Reporting Council’s consultation on revisions to the UK Stewardship Code is known.

<sup>2</sup> The Stewardship Code is a voluntary code which sets out a number of principles relating to engagement by investors with UK equity issuers. Edgbaston is not a signatory to the Stewardship Code. The firm specialises in long-only Asia Pacific ex-Japan equity investments and does not ordinarily invest in UK equities. Whilst Edgbaston generally supports the objectives that underlie the Stewardship Code, it does not consider it appropriate to commit to any code of practice relating to any individual jurisdiction.

remuneration policies. This reduces the conflicts of interest faced by Edgbaston, as compared to larger and more complex financial services firms.

Edgbaston maintains a log of the actual or potential conflicts of interest to which it may be subject. This includes key conflicts which may impact on the ability or motivation of its investment team to focus on governance issues for Edgbaston portfolio companies (for example, due to personal account dealing or outside business interests). Edgbaston has implemented robust controls and procedures in this respect which are described in its Compliance Manual and tested as part of its compliance and risk testing programme.

### **Principle 3 – An investment firm should monitor its investee companies.**

#### *Research Monitoring*

Edgbaston's investment approach is based on fundamental analysis, which involves building and maintaining a detailed knowledge of individual companies, including through meetings and calls, analysis of published company reports, announcements and circulars and broader internal and external research and data. As such, Edgbaston's ongoing monitoring of investee company strategy, operational, governance and management performance and capital allocation is integral to its investment process.

#### *Engagement and Voting Matters*

Ownership of shares brings with it important responsibilities, particularly the right to speak and vote on matters that can influence the way in which a business is conducted. Edgbaston adopts a positive engagement approach whereby it discusses issues with the management of the companies in which it invests or is considering investing on behalf of its clients. Edgbaston prefers to have one-on-one discussions with companies as it believes this enables an effective relationship with boards and management to be built. Edgbaston uses the information gathered during these meetings both to inform its investment decisions and also to encourage company management to improve procedures and policies. Edgbaston believes that this is the most effective way to effect positive change in standards of corporate social responsibility. Edgbaston monitors the effectiveness of its engagement with the managements and boards of investee companies. Its historic communications, and the success of any such communications, will play a part in its proxy voting decisions.

In accordance with applicable law and its internal document retention policies, Edgbaston maintains electronic records of material engagements, voting and other corporate governance and corporate responsibility activities, including the rationale for voting decisions.

### **Principle 4 – An investment firm should establish clear guidelines on when and how it will escalate its stewardship activities.**

As a general policy, Edgbaston's strong preference is to achieve its clients' objectives whilst supporting portfolio company management. However, on occasion, Edgbaston's views may differ from those of management and/or the Board and this may give rise to an escalation in engagement. Factors taken into account prior to escalation include an assessment of the materiality of the matter in dispute, the size of Edgbaston's shareholding and the ownership profile of the business in question. The specific response thereafter will always be determined on a case by case basis but may include the following:

- Formalising our view to the management and/or board in writing;
- Contacting the company's advisers and/or independent directors for a further exchange of views;

- Voting against the management recommendation on a given motion;
- Collaborating with other significant shareholders to determine whether they share Edgbaston's views or concerns (subject to the comments outlined at Principle 5 below);
- Attending an AGM / EGM in person;
- Introducing an AGM / EGM motion;
- Escalating concerns to the relevant stock exchange or regulator;
- Making a public statement (as a general policy, we do not favour using the media to help achieve our clients' objectives);
- Selling the stock.

**Principle 5 – An investment firm should be willing to act collectively with other investors where appropriate.**

Occasionally, an issue may arise where collaboration with other investors may help to create a better outcome for Edgbaston's clients. However, Edgbaston is mindful that it needs to maintain a balance between the time spent on such matters and the value it will generate for clients. The investment team will review proposals for collective engagement initiatives with Edgbaston's compliance group on a case by case basis with reference to the following criteria:

- The materiality of the issue;
- The ability to influence (i.e. the materiality of the shareholding);
- The ownership profile of the company under discussion.

In considering participation in collaborative engagement initiatives, Edgbaston will also take into account potential conflicts of interest, concert party rules and its policy on insider information.

**Principle 6 – An investment firm should have a clear policy on voting and disclosure of voting activity.**

Edgbaston's Proxy Voting Policy is attached to this document at Appendix 1.

**Principle 7 – An investment firm should report periodically on its stewardship and voting activities.**

Clients may receive a quarterly summary of Edgbaston's proxy voting activity by contacting [clients@edgbastonip.com](mailto:clients@edgbastonip.com). Save as provided by law or regulation, Edgbaston does not provide other third parties with information on how it has voted client proxies. In addition, this stewardship and shareholder engagement document is included on Edgbaston's website ([www.edgbastonip.com](http://www.edgbastonip.com)) and is updated periodically (typically, annually).

Questions on this document or on Edgbaston's approach to stewardship and shareholder engagement more generally should be directed to [compliance@edgbastonip.com](mailto:compliance@edgbastonip.com).

## APPENDIX 1

### PROXY VOTING POLICY

Edgbaston Investment Partners LLP (“**Edgbaston**”) considers it to be of paramount importance when assessing proxy voting responsibilities on behalf of its privately offered commingled funds (collectively defined as “**Clients**”) to recognise the fiduciary responsibility it assumes in acting as investment manager. Edgbaston also recognises the need to exercise its proxy voting obligations with a view to enhancing long-term investment values. Edgbaston believes that both are generally compatible with good corporate governance as they provide the best operating environment for each underlying portfolio company to cope with competitive commercial pressures. To help achieve its objectives, it is Edgbaston’s policy, subject to the considerations described below, to use its commercially reasonable efforts to vote proxies arising on all shares held on behalf of its Clients.

Standard issues typically arise at Annual General Meetings (“**AGMs**”) or Ordinary General Meetings (“**OGMs**”). Standard issues may include items of a routine nature such as the presentation of financial statements to shareholders, approval of routine executive compensation or incentive plans, approval of financial statements by shareholders, election of directors and approval of director’s fees, election of auditors and approval of audit fees, and declaration of dividends.

In certain markets, permission to waive pre-emptive rights are a standard resolution on AGM agendas. Edgbaston routinely votes against these. The varying levels of protection offered to minority shareholders in different countries often results in a lack of adequate disclosure in terms of parties involved, discounts given and the use of proceeds. Over time, waiving pre-emptive rights also dilutes minority shareholders’ stake in the business.

Material issues may arise at Extraordinary General Meetings (“**EGMs**”), Special General Meetings (“**SGMs**”), OGMs, or AGMs. Material issues may include items that relate to corporate governance matters; changes in a company’s country of incorporation; mergers and other corporate restructurings; anti-takeover provisions such as staggered boards, poison pills, or supermajority provisions; changes to capital structures including increases and decreases of capital and preferred stock issuance; material stock option, management compensation, or incentive plan issues; and social and corporate responsibility considerations. Edgbaston also considers standard issues to be material issues when it has knowledge that a potential conflict of interest with management is present. These situations can arise where Edgbaston manages a portfolio company’s US retirement plan assets, a portfolio company or one of its affiliates is also a brokerage counterparty to a Client’s security or foreign currency transaction, or where the person responsible for overseeing investments at a Client that is invested in one of Edgbaston’s privately offered commingled funds is also a director or officer of a portfolio company that would materially benefit from any executive compensation or incentive scheme subject to shareholder vote. Please note, however, that Edgbaston may not be aware of the roles performed for portfolio companies by underlying investors holding units in Edgbaston’s privately offered commingled funds. Unitholders are requested to notify Edgbaston of any known affiliations with publicly traded companies that could fall within Edgbaston’s investment universe. Unitholders are also requested to notify Edgbaston if they are actively involved in the financial services industry or affiliated or employed by an investment bank, broker/dealer, custodian or asset management firm.

The Northern Trust Company (“**Northern Trust**”) acts as the custodian / depositary of Edgbaston’s privately offered commingled funds and holds all securities owned by these commingled funds for the benefit of the Unitholders. Northern Trust has outsourced certain of its proxy processing responsibilities to Broadridge, a leading provider of proxy voting and corporate governance services. Broadridge principally provides

Edgbaston with meeting notification and ballot delivery services, agenda summaries and vote instruction processing services. All of these services are delivered to Edgbaston via an interface provided by Glass Lewis Europe Limited (“Glass Lewis”), an independent provider of global governance services. In addition to the basic services provided by Broadridge, Glass Lewis provides Edgbaston with more bespoke proxy voting services including detailed agenda content and original source documents, background research, translation services, power of attorney maintenance and recordkeeping and custom reports. Meeting notifications are provided according to an established service level agreement in place between Northern Trust and Broadridge and one in place between Northern Trust and Edgbaston. Edgbaston does not outsource any part of its proxy voting *decision making* process to Broadridge, Glass Lewis or Northern Trust.

Following receipt of proxy voting materials from Broadridge and Glass Lewis, Edgbaston’s administration team prepares a package of material for review by a member of the Edgbaston’s Portfolio Implementation Committee (“PIC”). The package of material includes details of the resolutions published by the company, background research, any translations (if the documents have not been published in English), and the deadline for the response. One PIC member is able to decide on standard items but material items and votes against management recommendations require two PIC members to approve the course of action. Once the action is approved, Edgbaston’s administration team processes and verifies the proxy vote electronically using the Glass Lewis proprietary system.

In certain circumstances, Edgbaston may be unable to vote a specific proxy including (but not limited to) when Northern Trust or Broadridge does not provide a voting service in a given market, because Northern Trust’s agent, in error, does not process a proxy or provide sufficient notice of a vote, or because an error is committed by any party involved in the proxy voting or registration process. Edgbaston may also refrain from voting if it is considering liquidating a position (as shares may be blocked when proxies are submitted), where the costs of voting a specific proxy outweigh the economic benefit that Edgbaston believes would be derived by the Client, where a specific class of shares does not carry voting rights with respect to a given issue subject to shareholder vote, or where re-registration of the shares into the Client’s (rather than Northern Trust’s nominee’s) name may (or may reasonably be expected to) result in a violation of local privacy laws or adversely impact the Client’s economic interests.

Unitholders are advised that when voting proxies in certain Asian markets, Edgbaston may be constrained by certain country or portfolio company specific issues. For example, some companies in the portfolio impose voting caps on the maximum number of proxy votes that any single outside shareholder may control. Others require all board issues to be resolved by a show of hands, rather than a poll. As all shares may be held by one nominee, these restrictions have the effect of substantially limiting the impact of any proxies cast. Furthermore, some companies in the portfolio may restrict investment managers (such as Edgbaston) from voting proxies where disclosures of holdings or securities under Edgbaston’s control have not been made on a timely basis or in a format required under their articles of incorporation.

Additional information on Edgbaston’s proxy voting and corporate governance policies can be found in the Stewardship Code Statement on Edgbaston’s website ([www.edgbastonip.com](http://www.edgbastonip.com)). Unitholders may receive a quarterly summary of proxies voted or not voted and issues raised at meetings held by portfolio companies by contacting Edgbaston’s Client Services representatives (at [clients@edgbastonip.com](mailto:clients@edgbastonip.com)) and asking to be included on the quarterly proxy voting distribution list.

## APPENDIX 2

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

Edgbaston's investment decisions are based primarily on business and financial considerations. Edgbaston takes into account political, environmental and social issues if these are likely to have a material impact on a company's present or future financial position or cash flows or conflict with Edgbaston's ability to manage and develop investments. This approach enables Edgbaston to take into consideration appropriate risks, to make a balanced judgement on the investment opportunity and act in the best interest of its clients. Edgbaston recognises that there are many political, environmental or social issues about which clients feel strongly, but Edgbaston is obliged to act in the overall interests of all clients. Clients may not share the same view or may hold opposing views on the same issue.

At Edgbaston, a prime concern is the repeat free cash flows that can come from any portfolio investment. Investments that depend on unsustainable businesses practices are likely to fall outside of our quality criteria. As a result, Edgbaston would see businesses that used enforced labour, child labour, uneconomic wage rates, and/or unsafe or harmful business practices (such as polluting or harming the environment), for example, as not being sustainable in perpetuity, suffering from falling rates of returns, leading to decreased normalised earnings. These types of companies make unlikely investment candidates. Edgbaston views the issue of companies operating in industries or countries that may have poor environmental or social safeguards as being another uncertainty with which our investee companies have to cope with.

As an investment manager, Edgbaston wants to be aware of how and where its investee companies operate. However, Edgbaston recognises that ultimately the decision to operate legally, either directly or indirectly, in an unpopular jurisdiction or industry, to deal with difficult political environments or unfriendly regimes in different regions around the world, the implementation of a business plan, and the reputation risk involved, lies with the management of a company. These are important issues, but important alongside many others – product positioning, financing, sustainability of cash flows, competitive threats, advertising and promotion, human resources, corporate governance and so on. In the end, these are all the responsibility of management, although they remain of keenest interest to Edgbaston as portfolio managers. In summary, the possibility that a portfolio company may legally operate in a given industry, country or region does not cause a change in our investment process.

Edgbaston expects that appropriate legal, governmental and other authorities around the world will take responsibility for addressing political, environmental and social matters fairly and wisely on behalf of their citizens. Accordingly, Edgbaston adheres to the laws of the countries in which it does business and follows rules and regulations applied by official agencies in those countries. Edgbaston also expects that the companies in which it invests will do the same – and Edgbaston pays close regard to their record in this respect.

Edgbaston is aware that many investors that are colleges, universities and/or private charities maintain a list of securities of restricted companies operating in certain industries or economic sectors from which they would like their investment managers to divest. Edgbaston's policy is to respond to any enquiries that we receive on environmental, social or other governance matters. Edgbaston has not, however, agreed to dispose of any existing holdings or refrain from purchasing other securities that may meet its valuation and quality criteria.