

**EDGBASTON INVESTMENT PARTNERS LLP**  
**UK STEWARDSHIP CODE STATEMENT**

Edgbaston Investment Partners LLP (“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 compatible with good corporate governance and provide the best operating environment for portfolio companies to cope with competitive commercial pressures.

Under Rule 2.2.3R of the FCA’s Conduct of Business Sourcebook, Edgbaston is required to make a public disclosure about the nature of its commitment to the UK Stewardship Code (the “Code”)<sup>1</sup> or, where it does not commit to the Code, its alternative investment strategy. Whilst Edgbaston generally supports the objectives that underlie the Code, the firm has chosen not to formally commit. Edgbaston specialises in long-only Asia Pacific ex-Japan equity investments and does not invest in UK equities. It does not consider it appropriate to become signatories to any code of practice relating to any individual jurisdiction. Notwithstanding the above, this document seeks to summarise Edgbaston’s practices regarding stewardship with reference to the principles of the Financial Reporting Council’s 2026 version of the Code<sup>2</sup>.

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. 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).

**Principle 1 – Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries.**

Edgbaston is an institutionally oriented investment management firm which specialises in Asia Pacific ex-Japan equity investments. We manage a single investment strategy. Our primary goal is to deliver a best-in-class investment programme by compounding good returns whilst maintaining a long-term perspective, both in our investment work and in running our business. The firm’s objective is to maximise the value of our clients’ assets over the long-term. In doing so, we hope to make a positive contribution to their purpose.

The firm was established in 2008 by Charu Fernando and partners. We are independent and employee-owned. Edgbaston’s culture is a partnership ethos where all actions are guided by the principles of alignment and integrity. The firm operates with the best interests of its investors first and foremost. Across its wider business, Edgbaston has robust governance arrangements, a clear organisational structure, effective processes and internal control mechanisms to maintain a clear and appropriate apportionment of significant responsibilities among senior managers and staff in such a way that the business and affairs of Edgbaston can be adequately monitored and controlled.

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<sup>1</sup> The Code is a voluntary code which sets out a number of principles relating to engagement by investors with UK issuers. It sets out good practice on engagement with investee companies and is to be applied by firms on a “apply and explain” basis. It also describes steps that asset owners and asset managers can take to protect and enhance the value that accrues to the ultimate beneficiary.

<sup>2</sup> Edgbaston believes this UK Stewardship Code Statement provides sufficient detail on its engagement policies as required under the FCA’s COBS rules. Edgbaston has chosen not to publicly disclose, on an annual basis, how its engagement policy has been implemented. Edgbaston does not believe it is necessary or appropriate for such information to be publicly disclosed given the size of its holdings in portfolio companies and the nature of its client base. Please see Appendix 2 for further information.

Edgbaston's investment style is fundamental value. The investment decision-making process is research driven, and serves to ensure that the portfolio created for clients is consistent with the firm's philosophy. The investment process has three elements: screening, research, and portfolio implementation.

The Edgbaston portfolio is managed on a team basis, and all buy or sell proposals must be submitted in writing to and be approved by the Portfolio Implementation Committee ("PIC"), which includes the Chief Investment Officer. Edgbaston believes focus is necessary to generate superior investment returns. Edgbaston and all its investment professionals are focused exclusively on managing the programme. Edgbaston does not currently offer any other investment products, and the firm does not plan to offer any additional products in the future.

All Edgbaston investment managers are responsible for the integration of Environmental, Social and Governance ("ESG") factors in their company research, analysis and engagement, as well as oversight and reporting of proxy voting and engagement activities. Further policy oversight is provided by the Compliance Group. The investment team interacts in a collegiate and collaborative manner and will often work closely with the Chief Compliance Officer on any applicable issues.

Edgbaston's bottom-up approach and company-level research and engagement allows the investment team to comprehensively analyse companies in the bespoke manner required to properly consider different reporting formats and standards, along with country and sector nuances. The long-term investment horizon also supports the development of strong relationships that can be leveraged during the engagement. It also avoids a short-term approach to issues and allows the team to continue to support investee companies in improving their ESG standards overtime and ensuring the sustainability of their business.

More generally, 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 3) and ESG Policy (attached at Appendix 4).

**Principle 2 – Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets.**

Edgbaston seeks to evaluate market-wide and systemic risks as part of our bottom-up investment research process. We are not driven by top-down macro analysis. Edgbaston's investment team believes that it is important to understand and appreciate overall market valuation levels, economic conditions, the political situation, and policy and currency risks in each of the Asian countries in which we invest. However, Edgbaston does not position the investment programme with reference to expectations of future macro events, strategies, or themes. In our experience, stock prices are only loosely connected to short-term and medium-term expectations of economic growth. We find that theme-based investing can detract from a sharp focus on valuation. The portfolio is comprised of companies which we believe have an attractively priced combination of value and quality. Decisions concerning each portfolio position and its weighting are made individually and the portfolio is constructed from an entirely bottom-up basis. Edgbaston is benchmark agnostic with regards to portfolio construction. The firm has developed a standard set of Investment Guidelines that include requirements on maximum security holdings, ownership restrictions, and sector, country, and currency exposures to ensure an adequate diversification of the overall portfolio and to minimise the potential impact of any business or sector failure.

Edgbaston's clients are institutional investors such as charities, foundations, endowments and pension plans. Except in exceptional circumstances, Edgbaston does not accept client direction on proxy voting and corporate governance issues. Edgbaston believes this helps to ensure fairness and simplicity across its entire client base. Whilst some investors have expressed a preference for Edgbaston to restrict investments in companies involved in certain practices, Edgbaston believes it has a fiduciary obligation to seek the best investment return for *all* our clients. Edgbaston has not agreed to any client specific investment restrictions.

In addition, Edgbaston continues to actively participate as members of the following organisations:

*Asian Corporate Governance Association ("ACGA")*

The ACGA is an independent, non-profit membership organisation founded in 1999, shortly after the Asian Financial Crisis, which is dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia. Edgbaston is an active participant in the ACGA's work in three key areas – research (tracking corporate governance developments and producing independent analysis of new laws and regulations, investor engagement and corporate practices), advocacy (engaging in constructive dialogue with relevant parties on practical issues) and education (annual conference and periodic seminars). Additionally, Edgbaston is a member of the ACGA's Korean Working Group, a forum for members to discuss advocacy initiatives and collaborative engagements specific to the Korean market.

*Independent Investment Management Initiative ("IIMI")*

The IIMI is a think-tank that offers an independent voice in the debate over the future of financial regulation. The IIMI's stated aims include (i) restoring society's trust in the financial sector; (ii) promoting the values and practices of owner- managed firms that align their interests with those of their clients; and (iii) raising awareness of the positive, stabilising contribution small entrepreneurial firms make to the economy and society as a whole. The IIMI publishes policy papers, issues regular updates and contributes evidence to relevant political and regulatory commissions.

*Inclusion in Finance*

Inclusion in Finance (*formerly the Diversity Project*) is a cross-company initiative working to accelerate progress towards a more inclusive, high-performing finance industry. Focus is underpinned by the twin foundations of inclusion and cognitive diversity to power robust decision-making and long-term business success. As members, Edgbaston has access to a peer network group to share learning, best practice and new initiatives.

**Principle 3 – Signatories engage to maintain or enhance the value of assets.**

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.

Culturally, we find discussions with Asian companies to be more fruitful in one-on-one meetings (large group settings or situations involving the media tend to be less effective). However, from time to time, we do join forces with other investors to push for change and, occasionally, participate in engagement efforts organised through industry bodies. Occasionally, 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 consider potential conflicts of interest, concert party rules and its policy on insider information.

Management interviews are integral to our investment research report writing process; last year our investors had over 120 one-to-one discussions with companies. Edgbaston prefers to have one-on-one discussions as we believe this enables an effective relationship with boards and management to be built. Edgbaston uses the information gathered during these meetings both to inform our investment decisions and 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. Edgbaston maintains electronic records of material engagements, voting and other corporate governance and corporate responsibility activities, including the rationale for voting decisions.

#### **Principle 4 – Signatories actively exercise their rights and responsibilities.**

Edgbaston aims to vote on every agenda item and this process can also give rise to engagement opportunities.

In 2025, Edgbaston voted in 108 meetings on behalf of the funds. The firm voted in favour of 590 resolutions, against 190 resolutions and abstained or took no action in the remaining resolutions<sup>3</sup>. For those voting outcomes available during that period, Edgbaston's vote was aligned to the outcome in approximately 72% of instances<sup>4</sup>. We do not routinely communicate voting decisions to portfolio companies, but where we have repeatedly voted against a resolution, this is normally an agenda point for discussion when we next speak with management. Overall, proxy voting statistics for the 2025 calendar year were as follows:

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<sup>3</sup> Edgbaston may periodically be unable to vote a specific proxy including (but not limited to) when a custodian provides no voting service in a given market or because the custodian's agent, in error, does not process a proxy or provide sufficient notice of a vote. Edgbaston may also refrain from voting if it is considering liquidating a position, as shares may be blocked.

<sup>4</sup> The voting outcome is not reported on all proposals. These percentages are based on those meetings where an outcome has been published within the Glass Lewis platform only.

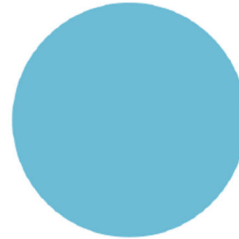
**Management Proposals – Votes Cast**

For - 589    Against - 190    Abstain - 1

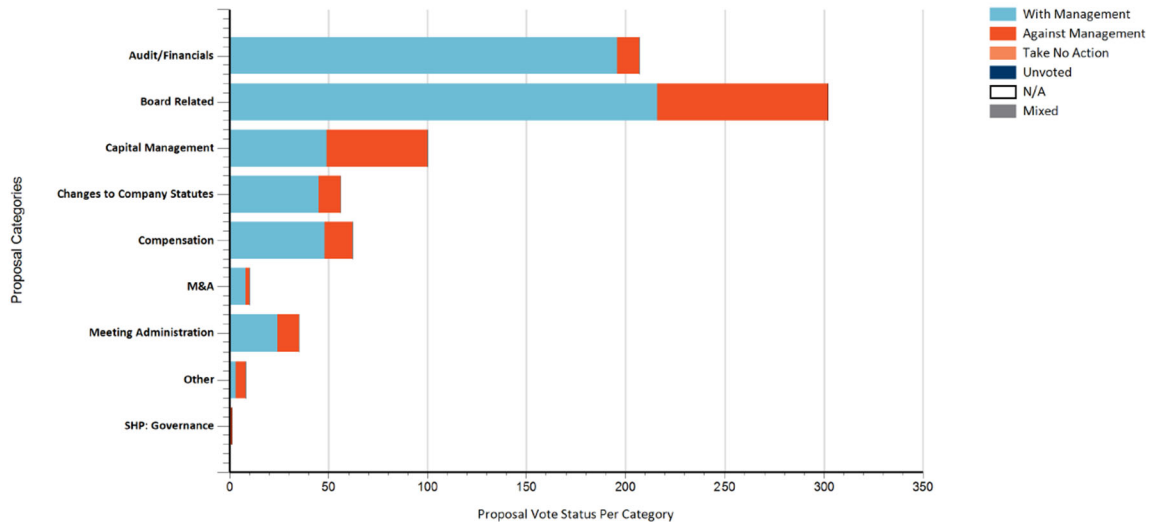


**Shareholder Proposals – Votes Cast**

For - 1



**Proposal Categories - Votes versus Management**



**Principle 5 – Signatories integrate stewardship considerations into their selection and oversight of external managers.**

Edgbaston does not currently engage any external managers. The firm 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 staff are aligned as closely as possible with those of its investors, for example, through ownership interests and remuneration policies. This reduces the conflicts of interest faced by Edgbaston, as compared to larger and more complex financial services firms.

**Principle 6 – Signatories monitor and hold to account stewardship service providers.**

Edgbaston receives a range of services in support of its stewardship and engagement activities. We employ qualified third-party service providers to complete various administrative activities for the commingled funds. Contracts and service level agreements are in place and satisfy regulatory requirements governing the

delegation of non-investment services. Although certain services have been delegated, Edgbaston generally retains overall responsibility, which is reflected in its monitoring and control arrangements.

More specifically, Northern Trust, custodian / depositary for Edgbaston's commingled funds, 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. 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. Edgbaston does not outsource any part of its proxy voting decision making process to Broadridge, Glass Lewis or Northern Trust. This is described more fully within Edgbaston's Proxy Voting Policy, included at Appendix 3.

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. Third-party research, such as sell-side research, ESG-rating providers' data and rating and thematic research, can be a valuable part of the information-gathering process before Edgbaston's proprietary research is written. Ultimately, however, Edgbaston relies solely on its own proprietary research to make investment decisions. Edgbaston's investment process is not dependent on any third-party research provider. Edgbaston's ongoing monitoring of investee company strategy, operational, governance and management performance and capital allocation is integral to its investment process.

APPENDIX 1 - EXAMPLES OF STEWARDSHIP ACTIVITIES (2025)

Country	China / Hong Kong	Hong Kong	Singapore	Malaysia	Indonesia	Hong Kong
Industry Group (GICS)	Several	Consumer Durables & Apparel	Transportation	Real Estate	Transportation	Telecommunication Services
Topics / Themes	Leadership and Governance: Compensation	Other: Company Performance / Strategy	Leadership and Governance: Compensation	Leadership and Governance: Audit / Financials	Leadership and Governance: Board related / Compensation	Other: Company Performance / Strategy
Form	Direct contact	Direct contact	Direct contact	Direct contact	Direct contact	Direct contact
Counterparties	Several	C Level Executives, The Company's Internal Experts (HR, IR, Legal, Sustainability team)	C Level Executives	C Level Executives	The Company's Internal Experts (HR, IR, Legal, Sustainability team)	C Level Executives, The Company's Internal Experts (HR, IR, Legal, Sustainability team)
Engagement length	0-1 years	>5 years	1-3 years	0-1 years	0-1 years	3-5 years
Stated objective of the engagement	Annual engagement project: aimed to better understand the remuneration practices in place for the executive directors at 28 portfolio companies.	Highlighted our frustrations around the long-running DRP which is not in the interests of minority shareholders. We requested higher cash dividend payouts and / or share buyback.	Explained why we voted against their executive share option scheme (no minimum vesting period and no disclosure of the required performance hurdles when awarding shares).	Explained that company's financial reporting was no longer a fair representation of its operations. Requested that financial disclosures for its new sources of income need to be enhanced.	Queried average pay for both Commissioners and Directors vs share price performance. Noted that a larger proportion of executive remuneration should be deferred.	Expressed our dissatisfaction with the company's performance and, specifically, its overcapitalised balance sheet due to the inability to reinvest proceeds from a fixed line business sale.
Stated objective achieved?	Yes	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
The effect of the engagement (i.e. what was/wasn't achieved)	Generally, pleased with the evolution of companies in this space and the recognition of its importance. As expected, there were a handful of companies with room for improvement, and those conversations will continue.	Will continue to monitor in 2026.	Management stated they are monitoring voting patterns and seeking feedback from investors with a view to approving the remuneration policy. We will monitor this in 2026.	The company is yet to publish a new annual report since our discussion. Matter to be raised again in future meetings.	Will continue to monitor in 2026.	Will continue to monitor in 2026.

APPENDIX 2  
SHAREHOLDER RIGHTS DIRECTIVE (“SRD II”)

Asset managers authorised by the Financial Conduct Authority (the “FCA”) are required under the FCA’s Conduct of Business Rules (“COBS Rules”) to develop and publicly disclose an engagement policy (and publicly disclose on an annual basis how its engagement policy has been implemented) or publicly disclose a clear and reasoned explanation of why it has chosen not to comply with any of the requirements imposed by the relevant COBS Rules.

Edgbaston believes its UK Stewardship Code Statement provides sufficient detail on its engagement policies as required under the COBS rules. Edgbaston has chosen not to publicly disclose, on an annual basis, how its engagement policy has been implemented. Edgbaston does not believe it is necessary or appropriate for such information to be publicly disclosed given the size of its holdings in portfolio companies and the nature of its client base.

### APPENDIX 3 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 and separately managed account (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 result 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 a portfolio company’s US retirement plan assets are invested in the Clients, a portfolio company or one of its affiliates is also a brokerage counterparty to a Client’s security or foreign currency transaction, or where a person responsible for overseeing investments at a Unitholder that is invested in one of Edgbaston’s privately offered 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 Unitholders. Unitholders are requested to notify Edgbaston in writing 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 those securities for the benefit of the Unitholders. Northern Trust have

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 investment operations 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 can 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 investment operations 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 or its 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 Clients, 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 name (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.

Separately managed accounts clients generally name their own custodians who may use a different provider of proxy processing services.

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 4

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

As value investors, we invest in the cheapest quartile of our universe. We consider environmental, social and governance (“ESG”) issues amongst a broader group of factors when making a quality assessment of an investment. These assessments feed into the valuation we are prepared to pay for any business. Higher levels of aggregate risk (lower quality) require a bigger margin of safety. Within the valuation discipline, our approach is to engage with companies to encourage better practices on ESG issues.

We do not utilise ESG screening in our investment process. Exclusionary policies imply that the responsibility for engagement rests elsewhere and we disagree with this premise. Exclusionary screens are also less successful in capturing companies making improvements in their ESG practices. Thoughtful capital can engage on sensitive ESG issues but only if it still has a seat at the table. We believe that multiple investors asking the same hard questions can eventually make a difference in corporate behaviour. Companies in the cheapest quartile are often unfashionable and overlooked but many are still working towards improving their standing in the areas of ESG; if not, management can be encouraged to do so through persistence and cajoling.

We place emphasis on our own, internal research with the assistance of some third-party resources. Each of our investors engages in the research, analysis and assessment of ESG considerations as part of our regular research process. The assessment of ESG factors can be nuanced and complex; our view is that it is best done on a case-by-case basis. We believe that a score-based approach fails to capture both the sheer diversity of ESG factors (many of which are qualitative in nature) and the inconsistent disclosures across regions and even individual countries. An added consideration is that Edgbaston manages an all-cap programme and smaller market capitalisation companies often do not fall under a service providers’ coverage.

Our approach is holistic. We believe that balance is required between environmental goals, social consequences and governance considerations. A good illustration is NHPC, an Indian hydroelectric power producer formerly in the Portfolio. Hydroelectric power is considered crucial to the clean energy transition in India as the government aims to increase the country’s reliance on renewable generation. However, new dams have been responsible for population displacement as well as increased and repeated risk of severe flooding. How, as investors, should we balance the immediate environmental degradation versus longer-term climate protection and the social impact of giving more Indian citizens access to electricity? The answers are seldom simple.

We have been explicitly considering governance issues for many years, and the process is well integrated into our research process. We consider factors such as the Board’s track record in terms of management oversight; executive pay and suitability of the management team. It is encouraging when the Board is suitably qualified and diverse with a good understanding of the business, its risks and opportunities. We also consider both the Board and management’s long-term track record on topics such as ensuring a sensible capital structure has been maintained, capital allocation, balancing the rights of all shareholders, ensuring the price paid for acquisitions has been reasonable and ensuring that acquisitions have been in the interests of the business.

Perhaps most importantly, we also consider the company’s decision in terms of the dividends and the pay-out ratio as a particularly reliable indicator of governance. We believe the pay-out ratio is one of the best ways of measuring, in a single metric, many of the smaller decisions a company makes in terms of the efficiency of its

capital allocation. If a company can return cash which is excess to its operational and investment requirements, we can then extrapolate that there are other sensible decisions being made within the business.

In assessing environmental issues, we consider how competitive the business is relative to its peer group (whether that is domestic, regional or global). In our experience, the environmental footprints of companies in sectors such as utilities, transportation, extractive, steel and cement tend to be directly correlated with the competitiveness of the business – companies who operate newer facilities with greater economies of scale and those who have invested in their facilities tend to have an advantage against those operators with older, smaller and often more polluting facilities. We are mindful of whether the asset basis is compliant with current regulations or will require further investment to ensure compliance. The latter can raise issues around fines and litigation which have their own financial consequences and would not be indicative of a business being run in a sustainable fashion. We also consider any upcoming changes to environmental regulations and how these future changes are likely to impact the company's position. Understanding whether the company has been a leader or a follower in terms of adherence to regulatory issues, informs us of management's attitude towards corporate citizenship. Finally, we also assess requirements for capital expenditure and whether this relates to growth, maintenance or upgrading of facilities. Necessary and/or pre-emptive expenditures feed into the normalisation process and may impact our estimates of normalised earnings.

Companies' social responsibilities include factors such as providing a safe workplace and contributing to the local economy in the form of employment and taxation. These are very difficult to quantify and can be in direct conflict with the narrowly defined role of generating shareholder returns. In our view, sustainable businesses are not built without participation in the local community – a broader definition of stakeholders is necessary to create sustainable businesses.

In the past, we would engage with management primarily on governance issues. As our thinking has evolved, the framework we have in place is now equally useful when discussing environmental and social issues. Today we engage with companies more broadly. Last year, our investors had over 120 one-to-one discussions with companies. These discussions are a useful way of understanding management's broad approach to ESG, to track changes in this approach over the long term, to explore the assumptions behind disclosures, and to understand the operational choices management have made and the long-dated business impacts of those choices. We find engagement often requires long term dialogue. This allows the investment team to signal and define expectations and allows corporates to contextualise and explain their decisions. Even when dialogue does not lead to change, at the very least it improves communication and enables a greater understanding of both points of view. Engagement often needs time to be successful, this is why Edgbaston's five-year investment horizon is well suited.

Culturally, we find discussions with Asian companies to be more fruitful in one-on-one meetings (large group settings or situations involving the media tend to be less effective). However, from time to time, we do join forces with other investors to push for change and, occasionally, participate in engagement efforts organised through industry bodies. We also have our proxy voting efforts; Edgbaston aims to vote on every agenda item, and this process can also give rise to engagement opportunities. Engagement is a long process that can take many years and even then, success is not guaranteed. However, at least by remaining shareholders, we can exert influence and cajole companies to improve themselves.

We are aware that many investors such as colleges, universities and/or private charities may 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. Our policy is to respond to any enquiries we receive on ESG matters. Unless legally required to do so, we have not, however, agreed to dispose of any existing holdings or refrain from purchasing other securities that may meet our valuation and quality criteria. For more information on this topic, please contact [clients@edgbastonip.com](mailto:clients@edgbastonip.com) or see our Stewardship and Shareholder Engagement Policy, which includes our Proxy Voting Policy, at [www.edgbastonip.com](http://www.edgbastonip.com).