



Edinburgh Partners

Engagement Policy



## Edinburgh Partners Engagement Policy

Edinburgh Partners recognises it has a duty to act in the best interests of its clients. Part of this responsibility involves ensuring that assets under our stewardship are managed in a way which maximises shareholder value. To consistently do so, we aim to identify undervalued companies and have the patience to hold them in concentrated portfolios, until the share prices reflect their earnings potential. Our proprietary research indicates that company analysis should be concentrated on a longer term, five year horizon.

Our approach to engagement is pragmatic and necessarily flexible given differences between countries in terms of regulation and also the individual circumstances of the company involved. Our assessment of the quality of investee companies on environmental, social and governance (ESG) considerations is embedded in our investment process. In practice, discharging these responsibilities includes analysis of financial statements and careful consideration of all proposals and resolutions requiring a shareholder vote. We will also seek to engage with board members or senior management on various issues where appropriate.

## Monitoring of Investee Companies

At Edinburgh Partners, each member of the investment team is primarily an analyst. They have global sectors of responsibility and analyse and monitor the companies within them. In total, we invest in around 90 – 100 companies across all our strategies. As we run concentrated portfolios, this allows our analysts to have a detailed understanding of all the companies we hold.

The starting point for such monitoring will be statutory financial or other statements, but also include amongst other things, a consideration of detailed analysis undertaken by Institutional Shareholder Services (ISS), a provider of corporate governance solutions to institutional shareholders. We will also engage directly with management where we feel it is necessary. It is the analyst's job to ensure they have a full understanding of a company's capital structure, strategy, and potential risks.

When examining company information, we expect financial statements, reports, other publications and briefings to meet legal and accounting standards and to be timely, transparent and objective. Such information should enable us to evaluate the performance of management as well as of the company in relation to stated objectives and to understand future strategy. It will also support a consideration of the impact of company performance in the areas of social and environmental responsibility on future sales, margins and valuations.

## Approach to Engagement

We consider two types of engagement:

**Engagement for information** – This forms part of company monitoring and is value additive in communicating what is important to us, building relationships and achieving a more complete understanding of a company's strategy and practices.

**Engagement for change** – This is a dialogue to influence change when there are specific issues we wish to be addressed. Edinburgh Partners' policy is to engage directly in discussions with investee companies where we believe this engagement is necessary to improve, protect or promote shareholders' interests.

Edinburgh Partners' process for engagement with a company's board or management on ESG factors, corporate transactions, management issues, executive/board remuneration etc is based upon the idea that each situation is potentially quite different. As such, the process avoids a rigid set of rules on how to proceed in favour of guidelines which help frame the conversation in an effort to make the engagement as efficient and productive as possible. The investment professional responsible for the analysis of the stock under consideration is most likely the one who will lead the engagement and set priorities for discussions, potentially aided by other investors or stakeholders, our compliance department, and external resources like ISS. The size and scope of the issue to be engaged upon, the ability of the issue to impact the value of the investment, the size of our holding in the company, the size of the position within our portfolios, and the speed with which the issue is progressing all

determine the scale and how we prioritise the engagement. We will also engage based on client specific issues or concerns.

Engagement with investee company management, investor relations, or other relevant parties can occur in several ways with the most common being face-to-face meetings, phone / conference calls, and emails. Depending on the scope of the issue, the willingness of the investee company to engage, and specific client requests, company engagement can be based on a single communication or could be ongoing in nature. Throughout the engagement process, the investment team and relevant parties will discuss emerging information and further steps until a conclusion is reached. The nature of the conclusion will be assessed and could result in a variety of outcomes which may include, but are not limited to, maintaining the holding in the security, changing the size of the holding, or selling the holding.

## Collaborative Engagement

Our collaborative engagement process is not strictly defined given that we have a diverse group of clients and products. As such, collaborative engagement, with other investors or stakeholders in the company, occurs on a case-by-case basis driven by the investment professionals involved with the strategy in which the security is held. General considerations for deciding whether to collaboratively engage are much the same as those considered for individual engagement: namely, the scope and severity of the issue under consideration, the size of our holding in the company (and, in particular, whether this lends itself to collaborative engagement), the size of the positions within our portfolios, the speed with which the issue is progressing and the extent to which we have previously engaged with the company.

In addition to this, collaboration is only carried out after an assessment is made in order to determine:

- 1) whether collaboration could afford better results for our clients than individual engagement;
- 2) whether the other investors with whom we are planning collaboration share our interests and values; and
- 3) whether such collaboration adheres to both Edinburgh Partners' rules and applicable laws and regulations.

## Exercising Voting Rights

Edinburgh Partners aims to vote all shares where possible and where we have been given discretion by our clients. In exercising voting authority provided to us by clients we follow the relevant applicable regulatory and legislative requirements, both in the UK and other jurisdictions in which we are regulated. The guiding principle in performing this service is to make proxy voting decisions which favour proposals designed to maximise a company's shareholder value and are free from the influence of conflicts of interest.

Edinburgh Partners uses the services of an independent service provider to help inform and implement our proxy voting decisions. The provider we use is ISS. Specifically, ISS assists our proxy voting and corporate governance oversight process by developing and updating the ISS proxy voting guidelines and by providing research and analysis, recommendations regarding votes, delivery of proxy instructions and recordkeeping and reporting services.

Edinburgh Partners does not consider voting recommendations from ISS to be determinative of its ultimate decision. Edinburgh Partners exercises its independent judgement in making voting decisions. If, after assessing all relevant information and having engaged with the company in question where appropriate, the investment professional responsible for analysing the stock determines that we should vote our clients' positions in a manner other than in line with the ISS recommendation, then the investment professional responsible for analysing the stock will provide a rationale for that decision which is captured and reported to each client impacted within our quarterly reporting.

This voting policy does not apply in any instance where a client has not granted Edinburgh Partners discretionary voting authority either because the client has retained voting discretion, granted voting discretion to a third party or directed us to vote proxies in a particular manner.

## Evaluation of Engagement

All information on an engagement is retained within our proprietary database, Epicentre. It is the responsibility of each company's analyst to evaluate the outcome of any engagement and its impact. In some instances this may involve discussion with the wider team.

## Reporting on Engagement

We report quarterly to clients on ESG and proxy voting, with respect to their portfolio. Within the ESG Report, we will detail any engagement activity relating to the stocks within their portfolio.

We also report annually on our stewardship activity, in line with the European Shareholder Rights Directive II. Public disclosures will be made on our website [www.edpam.com](http://www.edpam.com).

## Conflicts of Interest

Edinburgh Partners has a duty to take all appropriate steps to identify and to prevent or manage conflicts of interest which can arise between a firm, its employees and its clients as well as those conflicts which exist between different clients of a firm. Employees must at all times place the interests of clients first. In other words, as a fiduciary, staff must scrupulously avoid serving their own personal interests ahead of the interests of the clients. Edinburgh Partners' conflicts policy is designed to meet our regulatory requirements in relation to the identification, prevention and management of conflicts of interest and to ensure Edinburgh Partners always act in the best interests of its clients.

Investment managers with the discretionary authority to vote proxies relating to securities held by their clients, may have the ability to affect the outcome of shareholder votes and influence the governance of corporations. In this way, investment managers are in a position to significantly affect the future of corporations and, as a result, the future value of securities held by their clients. Therefore, conflicts of interest could arise in situations where the company is a client of Edinburgh Partners, or the company is a vendor whose products or services are material or significant to our business.

The FCA sets out areas where conflicts may arise. Where a firm or any employee:

- Is likely to make a financial gain, or avoid a loss, at the expense of the client;
- Has an interest in the outcome of a service or transaction conducted on behalf of a client which is distinct from the client's interest;
- Has an incentive to favour one client over another;
- Carries on the same business as a client; or
- Receives an inducement from a person other than the client.

A further area where conflicts may arise include those caused by the receipt of inducements from third parties or by the firm's own remuneration and other incentive structures.

Edinburgh Partners' primary objective is to identify and prevent conflicts before they are realised within the organisation. In order to support this it has identified a number of possible areas for conflicts to arise. These are documented in the Group's conflicts matrix and reviewed annually by the Operations Management Committee. In addition, the Regulatory and Operational Risk team conducts monitoring activity over a number of potential conflicts and their controls.

All conflicts of interest will be resolved in the best interest of the client. Edinburgh Partners is a wholly owned subsidiary of a large, diverse financial services firm with many affiliates and makes its best efforts to avoid conflicts of interest.

Edinburgh Partners also addresses potential conflicts of interest by its adoption of and reliance on the ISS proxy voting guidelines and the day-to-day implementation of those guidelines by ISS. The procedures provide that, where a portfolio manager decides to instruct a vote in a manner other than in line with an ISS recommendation, the rationale behind his decision is fully documented and retained as well as being reported to the relevant client.

### Important Notes

The information and opinions contained in this document are subject to change without notice.

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