

Independent Franchise Partners, LLP

Voting Policies and Procedures – December 2020

I. POLICY STATEMENT

This document describes our policies and procedures for voting at the shareholder meetings of portfolio companies in which we have authority from our clients to vote.

Fulfilling our clients' investment objectives by being responsible long-term owners of our portfolio companies is at the heart of our mission. We consider voting as our key formal right as a shareholder and as an important means of communication with portfolio companies.

We will use our best efforts to vote at company general meetings for which we receive notice as part of our authority to manage, acquire, and dispose of account assets. We cannot guarantee that we vote at all such meetings and we may be hampered by particular rules relating to the jurisdiction in which the company is located. In addition, for clients who participate in stock lending programmes, we generally will not vote in relation to stock that is out on loan.

We will vote in a prudent and diligent manner and in the best interests of clients, including beneficiaries of and participants in a client's benefit plan(s) for which we manage assets, consistent with the objective of maximizing long-term investment returns ("Client Proxy Standard"). We will not vote if the "named fiduciary" for an ERISA account has reserved the authority for itself, or in the case of an account not governed by ERISA, the investment management or investment advisory agreement does not authorize us to vote.

Voting Research Services

We utilize the recommendation-based voting advisory services of Institutional Shareholder Services Inc. ("ISS"). ISS is an independent advisory firm that specializes in providing a variety of voting-related services to institutional investors and their clients. The services provided include research, analysis and voting recommendations. While we may review and use the recommendations of ISS in making voting decisions, we are not obligated to follow their recommendations.

II. GENERAL VOTING PRINCIPLES

Active stewardship of our clients' assets is an integral component to the Franchise approach to investing, and we integrate our analysis of governance and our voting activity with our investment goals. We see voting as a valuable tool to encourage companies to enhance long-term shareholder value and provide a high standard of transparency such that equity markets can value corporate assets appropriately.

Key to our investment approach is ensuring the vitality and sustainability of a company's franchise; therefore, we aim to align our voting decisions with safeguarding the long-term financial health of our portfolio companies and their franchises. This goal provides us with a guiding set of core corporate governance principles that steer our voting decisions.

For example, when considering remuneration, we look to ensure that management are incentivised to favour long-term shareholder returns over short-term success and to focus their attentions on areas that will enable their company's intangible assets to flourish. When considering the Board's independence level and skillset, we assess whether it is able to provide sufficient oversight and challenge given the importance of those mechanisms in capital allocation, strategic direction and risk management, issues that are vital to the durability of a franchise.

Further, we aim to hold companies to the same standards which we maintain in our own business. For example, in our own company we have noted the benefits of regular auditor rotation such as greater objectivity and the importance of fresh perspectives, and as such we encourage our investee companies to rotate their auditor every ten years.

Please see our Stewardship Policy for more information on our stewardship activities.

III. GENERAL VOTING GUIDELINES

We follow this Policy to promote prudent, diligent and consistent voting on behalf of our clients.

The Policy addresses a broad range of issues and provides general voting parameters on company proposals that arise most frequently. We support external international principles of corporate governance and take account of local market standards. In this way, we seek to apply accepted good governance and business practices on behalf of our clients, while also factoring in relevant regional differences. In this document, we have attempted to outline our position on the most common matters that are proposed for voting at company general meetings.

However, details of specific company proposals vary, and those details affect particular voting decisions, as do factors specific to a given company. In following this policy, we may vote in a manner that is not in accordance with the following general guidelines, provided the investment team member responsible for the particular vote consults with the Managing Partner and the decision is consistent with the best interests of our clients and the objective of maximizing long-term investment returns. In the Managing Partner's absence, the investment team member responsible for the particular vote will confer with the other members of the investment team to make a consensus decision.

The majority of voting resolutions relate to corporate governance matters that are mandated under local stock exchange listing rules, including approval and election of directors, acceptance or receipt of reports and accounts, approval of remuneration and incentive plans, capital allocation, and approval of reorganisations and mergers. Where appropriate, we seek to address our concerns on broader business practices, including the management of social and environmental risks and opportunities, through our voting on resolutions proposed by both shareholders and management.

When we decide to vote against or abstain on management resolutions or support shareholder resolutions opposed by management, we normally contact companies in advance either as part of our ongoing engagement programme or before the annual meeting. This helps us to take a fully informed view and to be transparent with our portfolio companies.

A. Routine Matters.

We generally support routine management proposals. The following are examples of routine management proposals:



- Approval of financial statements and auditor reports if delivered with an unqualified auditor's opinion
- General updating/corrective amendments to the charter, articles of association or bylaws, unless we believe that such amendments would diminish shareholder rights
- Most proposals related to the conduct of the annual meeting, with the following exception. We generally oppose proposals that relate to the transaction of such other business which may come before the meeting, and open-ended requests for adjournment. However, where management specifically states the reason for requesting an adjournment and the requested adjournment would facilitate passage of a proposal that would otherwise be supported under this Policy (i.e. an uncontested corporate transaction), the adjournment request will be supported
- Shareholder proposals advocating confidential voting procedures and independent tabulation of voting results

B. Board of Directors.

1. **Election of directors:** Votes on board nominees can involve balancing a variety of considerations. In balancing various factors in uncontested elections, we may consider whether the company has a majority voting policy in place that we believe makes the director vote more meaningful. In the absence of a proxy contest, we generally support the board's nominees for director except as follows:

- a) We consider withholding support from or voting against interested directors if the company's Board does not meet market standards for director independence, or if otherwise we believe that Board independence is insufficient. We refer to prevalent market standards as promulgated by a stock exchange or other authority within a given market (e.g., New York Stock Exchange or NASDAQ rules for most U.S. companies and the UK Corporate Governance Code in the United Kingdom). Thus, for an NYSE company with no controlling shareholder, we would expect that at a minimum a majority of directors should be independent as defined by NYSE. Where we view market standards as inadequate, we may withhold votes or vote against the election of directors based on stronger independence standards. Market standards notwithstanding, we generally do not view long board tenure alone as a basis to classify a director as non-independent, although we will consider lack of board turnover and the need for a fresh perspective as important factors in deciding how to vote on the election of directors.

At a company with a shareholder or group that controls the company by virtue of a majority economic interest in the company, we may have a reduced expectation for board independence, although we believe the presence of independent directors can be helpful, particularly in staffing the audit committee, and at times we may withhold support from or vote against a nominee on the view the board or its committees are not sufficiently independent.

We consider withholding support from or voting against a nominee if he or she is affiliated with a major shareholder that has representation on a board disproportionate to its economic interest.



- b) Depending on market standards, we consider withholding support from or voting against a nominee who is not independent and who is standing for election as a member of the company's compensation, nominating, or audit committee.
 - c) We consider withholding support from or voting against a nominee if we believe that a direct conflict exists between the interests of the nominee and the public shareholders, including failure to meet fiduciary standards of care and/or loyalty. We may oppose directors where we conclude that actions of directors are unlawful, unethical or negligent. We consider opposing individual board members or an entire slate if we believe that the Board is entrenched and/or dealing inadequately with performance problems, and/or acting with insufficient independence between the board and management.
 - d) We consider withholding support from or voting against a nominee standing for election if the Board has not taken action to implement generally accepted governance practices. For example, in the context of the U.S. market, failure to eliminate a poison pill would be seen as a basis for opposing one or more incumbent nominees.
 - e) In markets that encourage designated audit committee financial experts, we consider voting against members of an audit committee if no members are designated as such. We also may not support the audit committee members if the company has faced financial reporting issues and/or does not put the auditor up for ratification by shareholders.
 - f) We believe that investors should have the ability to vote on individual nominees, and may abstain or vote against a slate of nominees where we are not given the opportunity to vote on individual nominees.
 - g) We consider withholding support from or voting against a nominee who has failed to attend at least 75% of the nominee's Board and Board committee meetings within a given year without a reasonable excuse. We also consider opposing nominees if the company does not meet market standards for disclosure on attendance.
 - h) We consider withholding support from or voting against a nominee who appears overcommitted, particularly through service on an excessive number of boards. Market expectations are incorporated into this analysis; for U.S. boards, we generally oppose election of a nominee who serves on more than four public company boards (including CEO positions, but excluding investment companies).
2. **Discharge of directors' duties:** In markets where an annual discharge of directors' responsibility is a routine agenda item, we generally support such discharge. However, we may vote against discharge or abstain from voting where there are serious findings of fraud or other unethical behaviour for which the individual bears responsibility. The annual discharge of responsibility represents shareholder approval of actions taken by the Board during the year and may make future shareholder action against the Board difficult to pursue.
3. **Board independence:** We generally support shareholder proposals requiring that a certain percentage (up to 66⅔%) of the company's Board members be independent directors, and promoting all-independent audit, compensation, and nominating/governance committees.



4. **Board diversity:** We support diversity of board membership and consider shareholder proposals urging diversity of board membership with respect to social, gender, religious, or ethnic group.
5. **Majority voting:** We generally support proposals requesting or requiring majority voting policies in election of directors.
6. **Proxy access:** We consider on a case-by-case basis shareholder proposals to provide procedures for inclusion of shareholder nominees in company proxy statements.
7. **Proposals to elect all directors annually:** We generally support proposals to elect all directors annually at public companies (to “declassify” the Board of Directors) where such action is supported by the Board, and otherwise consider the issue based in part on overall takeover defenses at a company.
8. **Failure to act on majority shareholder approved proposals from prior year:** We will consider, on a case by case basis, proposals to vote on individual directors, committee members, or the entire Board of Directors in cases where the Board failed to act on a shareholder proposal that received the support of a majority of the shares cast in the previous year.
9. **Cumulative voting:** We generally support proposals to eliminate cumulative voting in the U.S. market context and oppose proposals to establish cumulative voting. (Cumulative voting provides that shareholders may concentrate their votes for one or a handful of candidates, a system that can enable a minority bloc to place representation on a board.)
10. **Separation of Chairman and CEO positions:** We prefer separation of Chairman and CEO roles and hence generally will vote in line with that preference. However, we are influenced in part by prevailing practice in particular markets since the context for such a practice varies between different geographies.
11. **Director retirement age and term limits:** Proposals recommending set director retirement ages or director term limits are voted on a case-by-case basis.
12. **Proposals to limit directors’ liability and/or broaden indemnification of officers and directors:** Generally, we will support such proposals provided that an individual is eligible only if he or she has not acted in bad faith, gross negligence or reckless disregard of their duties.

C. Statutory auditor boards. The Statutory Auditor Board, which is separate from the main Board of Directors, plays a role in corporate governance in several markets. These boards are elected by shareholders to provide assurance on compliance with legal and accounting standards and the company’s articles of association. We generally vote for statutory auditor nominees if they meet independence standards. In markets that require disclosure on attendance by internal statutory auditors, however, we consider voting against nominees for these positions who failed to attend at least 75% of meetings in the previous year. We also consider opposing nominees if the company does not meet market standards for disclosure on attendance.

D. Corporate transactions and proxy fights. We evaluate proposals relating to mergers, acquisitions proxy fights and other special corporate transactions (i.e., takeovers, spin-offs, sales of assets, reorganizations, restructurings and recapitalizations) on a case-by-case basis and based on the best interests of our clients.



E. Changes in capital structure.

1. We generally support the following:

- Management and shareholder proposals aimed at eliminating unequal voting rights, assuming fair economic treatment of classes of shares we hold
- Management proposals to authorize share repurchase plans, except in some cases in which we believe that there are insufficient protections against use of an authorization for anti-takeover purposes
- Management proposals to reduce the number of authorized shares of common or preferred stock, or to eliminate classes of preferred stock
- Management proposals to effect stock splits
- Management proposals to effect reverse stock splits if management proportionately reduces the authorized share amount set forth in the corporate charter. Reverse stock splits that do not adjust proportionately to the authorized share amount generally will be approved if the resulting increase in authorized shares coincides with the proxy guidelines set forth above for common stock increases
- Management dividend payout proposals, except where we perceive company payouts to shareholders as inadequate or excessive

2. We generally oppose the following (notwithstanding management support):

- Proposals to add classes of stock that would substantially dilute the voting interests of existing shareholders
- Proposals to increase the authorized or issued number of shares of existing classes of stock that are unreasonably dilutive, particularly if there are no pre-emptive rights for existing shareholders. However, depending on market practices, we consider voting for proposals giving general authorization for issuance of shares not subject to pre-emptive rights if the authority is limited
- Proposals that authorize share issuance at a discount to market rates, except where authority for such issuance is de minimis, or if there is a special situation that we believe justifies such authorization (as may be the case, for example, at a company under severe stress and risk of bankruptcy)
- Proposals relating to changes in capitalization by 100% or more. We consider on a case-by-case basis shareholder proposals to increase dividend payout ratios, in light of market practice and perceived market weaknesses, as well as individual company payout history and current circumstances. For example, currently we perceive low payouts to shareholders as a concern at some Japanese companies but may deem a low payout ratio as appropriate for a growth company making good use of its cash, notwithstanding the broader market concern



F. Takeover Defenses and Shareholder Rights.

1. **Shareholder rights plans:** We generally support proposals to require shareholder approval or ratification of shareholder rights plans (poison pills). In voting on rights plans or similar takeover defenses, we consider on a case-by-case basis whether the company has demonstrated a need for the defense in the context of promoting long-term share value; whether provisions of the defense are in line with generally accepted governance principles in the market (and specifically the presence of an adequate qualified offer provision that would exempt offers meeting certain conditions from the pill); and the specific context if the proposal is made in the midst of a takeover bid or contest for control.
2. **Supermajority voting requirements:** We generally oppose requirements for supermajority votes to amend the charter or bylaws, unless the provisions protect minority shareholders where there is a large shareholder. In line with this view, in the absence of a large shareholder we support reasonable shareholder proposals to limit such supermajority voting requirements.
3. **Shareholder rights to call meetings:** We consider proposals to enhance shareholder rights to call meetings on a case-by-case basis.
4. **Reincorporation:** We consider management and shareholder proposals to reincorporate to a different jurisdiction on a case-by-case basis. We oppose such proposals if we believe that the main purpose is to take advantage of laws or judicial precedents that reduce shareholder rights.
5. **Anti-greenmail provisions:** Proposals relating to the adoption of anti-greenmail provisions will be supported, provided that the proposal: (i) defines greenmail; (ii) prohibits buyback offers to large block holders (holders of at least 1% of the outstanding shares and in certain cases, a greater amount, as determined by the Proxy Review Committee) not made to all shareholders or not approved by disinterested shareholders; and (iii) contains no anti-takeover measures or other provisions restricting the rights of shareholders.
6. **Bundled proposals:** We may consider opposing or abstaining on proposals if disparate issues are “bundled” and presented for a single vote.

G. Auditors. We require companies to change their independent auditors after a maximum tenure of 20 years and for companies to hold a tender for their auditor every 10 years. We do, however, encourage our investee companies to rotate their auditor every ten years. Tenure aside, we generally support management proposals for selection or ratification of independent auditors. However, we may consider opposing such proposals with reference to incumbent audit firms if the company has suffered from serious accounting irregularities and we believe that rotation of the audit firm is appropriate, or if fees paid to the auditor for non-audit-related services are excessive. Generally, to determine if non-audit fees are excessive, a 50% test will be applied (i.e., non-audit-related fees should be less than 50% of the total fees paid to the auditor). We generally vote against proposals to indemnify auditors.



H. Executive and Director Remuneration.

Our preference is for executive compensation to be linked to business performance and Total Shareholder Returns (TSR), for success to be measured over the medium to long term and for measurement metrics to be focused on those variables that matter most to value creation, most notably Return on Invested Capital and free cashflow. We also encourage key company executives and directors to have a material multiple of their base compensation to be invested in company stock to ensure appropriate alignment with ordinary shareholders. With that as general background, the following specific points are pertinent to our approach to executive and director remuneration:

1. We generally support the following:
 - Proposals for employee equity compensation plans and other employee ownership plans, provided that our research does not indicate that approval of the plan would be against shareholder interest. Such approval may be against shareholder interest if it authorizes excessive dilution and shareholder cost, particularly in the context of high usage (“run rate”) of equity compensation in the recent past, or if there are objectionable plan design and provisions
 - Proposals relating to fees to outside directors, provided that the amounts are not excessive relative to other companies in the country or industry and provided that the structure is appropriate within the market context. While stock-based compensation to outside directors is positive if moderate and appropriately structured, we are wary of significant stock option awards or other performance-based awards for outside directors, as well as provisions that could result in significant forfeiture of value on a director’s decision to resign from a board (such forfeiture can undercut director independence)
 - Proposals for the establishment of employee retirement and severance plans, provided that our research does not indicate that approval of the plan would be against shareholder interest
2. We generally oppose retirement plans and bonuses for non-executive directors and independent statutory auditors.
3. We generally will oppose shareholder proposals requiring shareholder approval of all severance agreements, but we will generally support proposals that require shareholder approval for agreements in excess of three times the annual compensation (salary and bonus). We generally oppose shareholder proposals that would establish arbitrary caps on pay. We consider on a case-by-case basis shareholder proposals that seek to limit Supplemental Executive Retirement Plans (SERPs) but support such proposals where we consider SERPs to be excessive.
4. Shareholder proposals advocating stronger and/or particular pay-for performance models will be evaluated on a case-by-case basis, with consideration of the merits of the individual proposal within the context of the particular company and its labour markets, and the company’s current and past practices. While generally we support emphasis on long-term components of senior executive pay and strong linkage of pay to performance, we consider whether a proposal may be overly prescriptive and the impact of the proposal, if implemented as written, on recruitment and retention.
5. We consider shareholder proposals for advisory votes on pay on a case-by-case basis.



6. We generally support proposals advocating reasonable senior executive and director stock ownership guidelines and holding requirements for shares gained in executive equity compensation programs.
7. We generally support shareholder proposals for reasonable “claw-back” provisions that provide for company recovery of senior executive bonuses to the extent they were based on achieving financial benchmarks that were actually not met in light of subsequent restatements.
8. We generally oppose management proposals to re-price stock options although we will consider them on a case-by-case basis. Considerations include the company’s reasons and justifications for a re-pricing, the company’s competitive position, whether senior executives and outside directors are excluded, potential cost to shareholders, whether the re-pricing or share exchange is on a value-for-value basis, and whether vesting requirements are extended.

I. Social, Political and Environmental Issues. We consider proposals relating to social, political, and environmental issues on a case-by-case basis to determine likely financial impacts on shareholder value, balancing concerns on reputational and other risks that may be raised in a proposal against costs of implementation. We may abstain from voting on proposals that do not have a readily determinable financial impact on shareholder value. While we support proposals that we believe will enhance useful disclosure, we generally vote against proposals requesting reports that we believe are duplicative, related to matters not material to the business, or that would impose unnecessary or excessive costs. We typically do not support proposals that impinge on generally accepted management responsibilities.

Regarding climate-related proposals, our climate risk framework sets out the principles we follow when evaluating whether to support such resolutions. We support:

- 1. Governance:** appropriate oversight, accountability and expertise.
- 2. Disclosure:** compliance with the Task Force on Climate-related Financial Disclosures (TCFD) principles, including annual reporting to the Carbon Disclosure Project (CDP).¹
- 3. Targets:** Short, medium and long-term targets aligned with 1.5 degrees, including scope 3 greenhouse gas emissions.
- 4. Products and services strategy:** Appropriate consideration of how climate issues impact strategy.
- 5. Physical risk management:** Appropriate inclusion of physical risks in risk management processes.

IV. ADMINISTRATION OF POLICY

The Firm’s partners have overall responsibility for the Policy and they have agreed that the Managing Partner should be responsible for the implementation of the Policy. The Managing Partner oversees the key decisions on a day-to-day basis and has final authority in relation to voting, always in accordance with the Client Proxy Standard. Because voting is an investment responsibility and affects shareholder value, and because of their knowledge of companies and markets, portfolio managers and other members of investment staff play a key role in voting. Franchise Partners periodically will review and have the authority to amend, as necessary, the Policy and establish and direct voting

¹ CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

positions in the best interests of its clients and consistent with the objective of maximizing long term investment returns.

Our administrators have the duty to notify us of all voting events. The Managing Partner delegates to specific investment team members on a case-by-case basis, the responsibility of determining the vote according to this Policy. If the investment team member responsible for the particular vote disagrees with the recommendations of management and/or ISS then they will consult with the Managing Partner to make a decision. In the Managing Partner's absence, the investment team member responsible for the particular vote will confer with the other members of the investment team to make a consensus decision. All decisions that are not voted in line with management and/or ISS recommendations are communicated internally to all partners, the investment team, compliance, and operations via a group e-mail. The rationale is documented and records are retained for a period of least 6 years.

The partners will meet at least annually to review and consider changes to the Policy.

Additionally, if the Managing Partner determines that a vote may give rise to a material conflict of interest, he will organise a meeting of the partners and either the Chief Operating Officer or Compliance Manager to review, and recommend a course of action with respect to the conflict(s) in question. A potential material conflict of interest could exist for example if the issuer soliciting the vote is a client of Franchise Partners and the vote is on a matter that materially affects the issuer.

If the Managing Partner, in conjunction with our Compliance function, determines that an issue raises a potential material conflict of interest, depending on the facts and circumstances, the issue will be addressed as follows:

1. If the matter relates to a topic that is discussed in this Policy, the proposal will be voted as per the Policy.
2. If the matter is not discussed in this Policy or the Policy indicates that the issue is to be decided case-by-case, the proposal will be voted in a manner consistent with the recommendation of ISS provided that no portfolio manager objects to that vote, and the vote is in the best interests of clients, including beneficiaries of and participants in a client's benefit plan(s) for which we manage assets and is consistent with the objective of maximizing long-term investment returns.

The Managing Partner will ensure that all voting decisions are documented and maintained for a period of at least 6 years. We will promptly provide a copy of this Policy to any client requesting it. We also, upon client request, promptly will provide a report indicating how each vote was cast with respect to securities held in that client's account.

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