Sanford DeLand
ASSET MANAGEMENT

Stewardship and Responsible Investment Policy

1. Introduction – Business Perspective Investing

The over-arching investment philosophy of Sanford DeLand Asset Management Limited ('**SDL**') is Business Perspective Investing, which is widely acknowledged as one of the most successful long term investment strategies associated in particular with Warren Buffett and other disciples of Benjamin Graham.

Business Perspective Investing starts from the premise that there is no philosophical distinction between part ownership (i.e. buying shares in a company) and outright ownership (i.e. buying the business in its entirety). If you believe, as Business Perspective Investors do, that a share is an ownership claim on a business, then business success and investment success go hand in hand.

There are several important criteria that companies selected for investment consideration must exhibit. Among these are that:

- Their business model is easily comprehensible
- They produce transparent financial statements
- They demonstrate consistent operational performance with earnings being relatively predicable
- They generate high returns on capital employed
- They convert a high proportion of accounting earnings into free cash
- Their balance sheet is strong without unduly high financial leverage
- Their management is focused on delivering shareholder value and is candid with the owners of the business
- Their growth strategy is more likely to rely on organic initiatives than frenetic acquisition activity.

2. Responsible Investing at Sanford DeLand

How Responsible Investing integrates into the Investment Process

Business Perspective Investing's emphasis on assessing a business in its entirety means that Environmental, Social and Governance ('**ESG**') factors form an integral part of analysing prospective companies against our investment criteria. Our long-term investment horizon also leads us to consider the sustainability of each company and its business practices.

More specifically, consideration of ESG factors features in three stages of the investment process as follows:

Stage 1 – Screening by Exclusion

It is SDL house policy not to invest in companies in certain sectors as they do not fit our Business Perspective Investing philosophy. Sectors we choose not to invest in include Oil & Gas and Mining, both of which have historically scored poorly on ESG considerations.

Stage 2 – Analysis of companies for new investment

An ESG analysis is performed for each new company considered for investment alongside our Business Perspective Investing process. This takes the form of our ESG scorecard which assesses each company's performance against ESG considerations. The ESG criteria are scored by the relevant analyst or fund manager alongside the investment consideration.

Stage 3 – Ongoing Engagement and Monitoring

For existing investments, companies are monitored regularly, both for their performance against our investment expectations and ESG considerations. It is usual for us to hold routine interactions with company management at least once a year, in addition to ad-hoc dialogues where required. These can take the form of one-on-one meetings, telephone or video calls or as part of group presentations. SDL keeps an internal record of all such interactions.

A full ESG review ordinarily occurs each year in the period following publication of each company's annual report and prior to any shareholder meeting.

The SDL ESG scorecard

SDL has developed its own proprietary ESG scorecard which examines a company's performance against 15 key criteria. This produces a score for each of Environmental, Social and Governance as well as an overall score. Each criterion is rated 'A' (good or above average practice); 'B' (average or in line practice); 'C' (below average with one or more concerns); or 'D' (at least one area of significant concern) together with supporting notes and commentary. A company rated 'D' in any of the 15 ESG criteria is deemed unsuitable for investment, irrespective of the strength of the investment case.

Where a company has an overall rating of 'A' or 'B' the company is subject to standard annual review. Where a company has a rating of 'C' it is subject to automatic six-monthly review. In all cases, an interim review can take place where any significant concerns arise between review cycles.

All ESG scoring is carried out in-house and takes place alongside the Business Perspective Investing process. We do not use a separate ESG team nor do we subscribe to any external ESG scoring data. It is our fundamental belief that the manager and/or analyst responsible for the company is best placed to review and monitor the company's adherence to our ESG criteria, giving consideration to materiality, its historic track record on such matters and the potential impact on the company's prospects and financials.

3. Stewardship at Sanford DeLand

Stewardship

An integral part of SDL's Business Perspective Investing process is seeking out investments with a truly long-term horizon; those businesses that can be expected to be around, in more or less their current form, ten or more years from now. This is reflected in very low levels of portfolio turnover, which implies a very long holding period. As at 31 March 2025, the average implied investment holding period in a company in the flagship TM SDL UK Buffettology Fund was more than 24 years and 33 years for the TM SDL Free Spirit Fund.

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As part of this long-term approach, SDL encourages corporate governance best practice in investee companies. This is reflected in our engagement policy which sets out our approach to the Shareholder Rights Directive II (‘**SRD II**’) which aims to promote effective stewardship and long-term investment decision-making, by enhancing the transparency of asset managers’ investment strategies.

The engagement policy outlines how SDL:

1. Integrates shareholder engagement into its investment process
2. Monitors investee companies or relevant matters, including:
    a. Strategy
    b. Financial and non-financial performance and risk
    c. Capital structure
    d. Environmental, social impact and corporate governance
3. Engages in active and regular dialogue with investee companies
4. Exercises proxy voting rights and other rights attached to shares
5. Co-operates and collaborates with other shareholders
6. Communicates with relevant stakeholders of the investee companies
7. Manages actual and potential conflicts of interests in relation to the firm’s engagement

Detailed information on this policy and SDL’s obligations under the SRD II can be viewed at https://www.sanford-deland.com/45/stewardship

Proxy Voting

As set out in SDL’s Shareholder Engagement Policy, SDL will to the extent it is authorised to do so exercise proxy votes at all investee company shareholder meetings irrespective of the size of holding.

When deciding on how to vote at meetings, consideration is given to how the investee company is performing on a number of factors including ESG criteria. The latter is measured by reference to SDL’s internal ESG scorecard, which is discussed above.

Voting decisions are the ultimate responsibility of the relevant lead fund manager and are based on the outputs of the ESG scorecard, their knowledge of the company concerned, any engagement between SDL and company management and in line with SDL’s Shareholder Engagement Policy.

SDL’s preferred method of dealing with any ESG concerns is, in the first instance, through engagement with the company’s management team, which may include sharing the outcome of SDL’s ESG assessment. Where this has a potential conflict with the executive management team, for example relating to remuneration, engagement is made directly with the Senior Independent Director of the company. Should these interactions not yield a satisfactory outcome or an undertaking by the company for remedial action, SDL reserves the right to abstain or vote against any proposals at general meetings. There are specific standing items that will automatically receive a vote against. This includes any resolution seeking authorisation for political donations or proposing short notice of meetings. For the avoidance of doubt, SDL does not engage third parties for either its ESG assessment or voting, believing it is incumbent on the asset manager itself to carry out its own analysis.

As a significant shareholder in a number of its investee companies, it is commonplace for SDL to be approached directly by company management for views on potential mergers & acquisitions, feedback on performance and views on remuneration policy, among others. Wherever possible, we provide that feedback.

SDL's proxy voting history is published annually online for the twelve months ending 31 July, pursuant to the obligations arising under SRD II. The record is available to view at https://www.sanford-deland.com/45/who-we-are/stewardship.

4. Responsibility and Oversight

SDL's commitment to stewardship and responsible investment is firm-wide and all staff members support this commitment.

Within the investment team, the Chief Analyst is responsible for the implementation and continuous review of SDL's Shareholder Engagement, Proxy Voting and Responsible Investment policies.

Stewardship is overseen at Board level within SDL and is a standing item at each Board meeting. Ahead of such meeting, the Chief Analyst submits a report to the Board listing the outcome of all ESG assessments carried out in the period, any engagement required as a result of any areas of significant concern and any occasions where we have either abstained or voted against resolutions at a shareholder meeting.

5. UN PRI Signatory

As part of SDL's commitment to encouraging best practice among our investee companies, SDL is pleased to be a signatory (since May 2021) to the United Nations Principles of Responsible Investing ('**UN PRI**'). This necessitates our commitment to adhere to its six principles as follows:

- Incorporate ESG issues into investment analysis and decision-making processes
- Be active owners and incorporate ESG issues into our ownership policies and practices
- Seek appropriate disclosure on ESG issues by the entities in which we invest
- Promote acceptance and implementation of the Principles within the investment industry
- Work together to enhance our effectiveness in implementing the Principles
- Report on our activities and progress towards implementing the Principles

In signing up to these principles, we, as investors, publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society.