

Shareholder Engagement Policy

Introduction

The Shareholder Rights Directive II ('SRD II') aims to promote effective stewardship and long-term investment decision-making by enhancing the transparency of asset managers' investment strategies. This document sets out the Shareholder Engagement Policy implemented by Sanford DeLand Asset Management Limited ('SDL'), which is in line with those requirements. Specifically, it outlines how SDL:

- (1) integrates shareholder engagement in its investment strategy;
- (2) monitors investee companies on relevant matters, including:
 - (a) strategy;
 - (b) financial and non-financial performance and risk;
 - (c) capital structure; and
 - (d) social and environmental impact and corporate governance;
- (3) conducts dialogues with investee companies;
- (4) exercises voting rights and other rights attached to shares;
- (5) cooperates with other shareholders;
- (6) communicates with relevant stakeholders of the investee companies; and
- (7) manages actual and potential conflicts of interests in relation to the firm's engagement.

In line with our obligations under SRD II, we make an annual disclosure on how we have applied this policy together with details of how we have voted our shares in investee companies. Both these documents can be found under the Stewardship section of our website at www.sanford-deland.com/stewardship.

Sanford DeLand is pleased to be a signatory (since May 2021) to the UN PRI which works to promote the incorporation of ESG into investment decision making.

Overarching principles

SDL is an active fund management company that uses proprietary investment processes to identify and hold companies for those investors in the TM SDL UK Buffettology Fund and the TM SDL Free Spirit Fund for the long term. Our over-arching investment philosophy 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.

As a result of this approach, SDL is a long term buy and hold investor, with investment in companies over the long term emphasising the need for good governance and stewardship, which we view as an important part of creating shareholder value.

Our primary objective is to deliver investment performance for our investors with appropriate levels of risk. In order to do so, we seek a fundamental understanding of not only the companies in which we invest but also their markets and competitive landscape. Environmental, Social and Governance criteria form a fundamental part of that understanding and are integrated into our investment process.

Specifically,

(1) Integration of shareholder engagement in the investment strategy

When deciding to invest in a new portfolio holding, SDL undertakes an in-depth “deep dive” into the company, its markets and the competitive landscape. This includes a combination of desktop research, proprietary modelling and analysis of the company’s historic and expected underlying returns, as well as company site visits and meetings with management. Engagement with investee companies generally takes place before an investment is made and is fundamental to our investment process.

(2) Monitoring of investee companies on relevant matters, including: (a) strategy; (b) financial and non-financial performance and risk; (c) capital structure; and (d) social and environmental impact and corporate governance

All existing portfolio companies are monitored regularly for their performance, both financially and operationally, against our expectations. This is through a combination of annual or interim results presentations as well as more ad-hoc company trading updates, acquisitions/disposals and fundraises.

In particular, we look at how the strategic decisions of management are adding long-term shareholder value; whether the capital structure of the business is suitable (be that where there is too much net debt or cash); and Board composition and remuneration to ensure it has diversification of skill sets and experience and salaries are appropriate. We prefer to invest in companies where management’s interests are aligned with those of shareholders.

The investment team’s monitoring and investment process incorporates Environment, Social and Governance considerations for each company on an ongoing basis. Further details of this are contained within our Stewardship and Responsible Investing Policy which can be accessed on our website at www.sanford-deland.com/stewardship.

(3) Dialogue with investee companies

We believe there should be a regular dialogue between company management and shareholders based on the mutual understanding of objectives. Each Board therefore has a responsibility for ensuring that a satisfactory dialogue with shareholders takes place. As a minimum, the Board should use the AGM to communicate with investors and to encourage dialogue.

It is usual for us to hold routine interactions with company management at least once a year in addition to any ad-hoc dialogues as required. These can take the form of one-to-one meetings, telephone or video calls or as part of group presentations. SDL keeps an internal record of the key points of all such interactions. SDL is from time to time approached directly by the management of investee companies as a sounding board for potential M&A, feedback on performance and views on remuneration policy, among others.

Where SDL has any specific concerns about aspects of a company's strategy, performance, governance, remuneration, or approach to risks, we will look to raise these concerns directly with company management. If it is felt that a constructive or transparent response is not forthcoming, we may choose to hold further meetings with management to address these concerns; make our view known to the company's broker, financial adviser or other advisers, arrange to speak with the chairman, senior independent director, or other independent directors. Ultimately, where concerns have not been addressed, we may choose to sell our interest in the company.

(4) Exercise of voting rights and other rights attached to shares;

SDL will exercise its vote in relation to all shareholdings, irrespective of the materiality of the holding. Voting is ultimately the responsibility of each lead fund manager but, in reaching a decision, consideration will be given to a number of factors including the company's operating performance against our expectations, any engagement that has taken place between SDL and company management in the period and our assessment of how the company has performed against Environmental, Social and Governance ('ESG') criteria.

When examining a company's performance on ESG matters, attention will be paid to the output of SDL's ESG scorecard, a proprietary assessment exercise comprising 15 distinct criteria. Each is given a rating of 'A' (good or above average practice); 'B' (average or in line practice); 'C' (below average with one or more specific concerns); or 'D' (at least one area of significant concern and not investable) together with supporting notes.

Where specific concerns arise, in the first instance these will be shared with management for comment and dialogue. Where the outcome of this engagement has not been satisfactory, for example where insufficient undertakings have been received to address the area of concern, we reserve the right to abstain or vote against the management in several ways including:

- Voting on annual report and accounts – We may abstain or vote against the annual report and accounts where we have identified concerns over lack of disclosure or poor quality of reporting.
- Voting on directors – Where significant issues have arisen, we may abstain or vote against the re-election of relevant directors or, where applicable, the discharge of the Board(s). We expect companies to be fully transparent and to adhere to best practice in producing information on votes and in related activities. All proposals should have adequate information available to enable an informed decision. Proposals should not limit or reduce shareholder rights and should ensure equal treatment of all shareholders.

- Certain standing items will always receive a vote against. This includes any resolution authorising political donations irrespective of whether the company intends to make use of it, as we do not believe this is ever an acceptable use of shareholders' funds. We will also vote against resolutions proposing short notice meetings as, in our view, such decisions do not provide sufficient time for us to prepare before exercising our voting rights.
- Under SRD II, we are required to disclose our voting record, which we do annually for the twelve months ending 31 July. This record can be found on our website <https://www.sanford-deland.com/45/who-we-are/stewardship>.

We use Broadridge ProxyEdge® for voting and record keeping. All voting decisions are made in house by the investment team. We do not employ the services of a proxy adviser.

(5) Cooperation with other shareholders

SDL is open to working collaboratively with other shareholders in its investee companies but, mindful of not being seen to act in concert or collusion with those shareholders, will only seek to do so in very specific circumstances. These will be limited to concerns of an Environmental, Social or Governance nature and only when our initial engagement with the company has failed to produce a satisfactory outcome.

(6) Communication with relevant stakeholders of the investee companies

We seek to engage productively with investee companies and as a result have developed a Stewardship and Responsible Investing Policy, which outlines how our engagement and voting interfaces with our ESG assessments. This document is available on our website at www.sanford-deland.com/stewardship.

(7) Management of actual and potential conflicts of interests in relation to the firm's engagement

Although SDL's Business Perspective Investment policy applies across all funds to which investment management services are provided, a potential conflict of interest could arise where different lead fund managers within SDL have different views on the strategy or performance of companies held in common. In that instance, it is possible they may wish to vote their entitlements differently. Where this is the case, the vote will be split in proportion to the relevant underlying holdings in the portfolios as at the record date for entitlement to vote.

Where there is difference of opinion it will ultimately be the responsibility of the Chief Investment Officer to adjudicate on such matters except where the Chief Investment Officer is a party to the potential conflict. In this instance the Chief Executive Officer will adjudicate and this will be recorded on the Annual Voting Record for the period concerned.

To prevent the risk of damage to investors' interests as a result of any such conflict, SDL has in place organisational and administrative arrangements to deal with potential conflicts, disclosed in our Conflicts of Interest policy. All employees are required to declare any conflicts of interest, including those which may arise as a result of engagement.