ARISAIG PARTNERS

Proxy Voting Policy

June 2021

This Policy should be read in conjunction with our ESG Policy, Engagement Letters and ESG Annual Review.

Contents

Our Investment Thesis

Arisaig Partners is an independent, founder and employee-owned, investment management firm established in 1996 in Singapore. Our Investment Philosophy is based around the core belief that the practice of 'Purposeful Growth' delivers superior operating performance for our holdings and supports their right to grow forever. We believe that the long-duration compound earnings growth that comes as a result is the primary driver of superior shareholder returns.

We therefore invest in a small number of exceptional businesses which grow with purpose and take a multi-stakeholder view of the world, motivated not by short-term profitability but rather the value they create for customers, employees, communities, and the environment. We seek this characteristic of Purposeful Growth in domestic-demand-driven emerging market businesses, with emerging markets collectively encompassing 80% of the world's population as well as being the main engine of global economic growth over the coming decades.

Over the lifespan of Arisaig Partners, the investment industry has unfortunately become even more focused on the short-term. These dysfunctions have, somewhat inevitably, permeated from finance into the corporate world. The result is that large swathes of the economy have become motivated by the wrong outcomes – namely the relentless pursuit of efficiency and narrowly-defined short-term shareholder returns.

By contrast, as an independent, Partner-managed business, we have the freedom to focus on long-term value creation, and the incentive to strengthen the chain of alignment between ourselves and our clients, and in turn between ourselves and our holdings. We believe in the principle of *Antevasin*: looking forward and constantly adapting while paying respect to the roots of our business and industry. Translating our purpose into performance is hard, disciplined work, but made possible by constrained assets, significant research resources, concentrated and considered portfolios, and long-term investment horizons.

Nature of Proxy Voting in Our Markets

Before diving into the Proxy Voting Policy specifics, it is important to put the companies and markets in which we invest into context.

Firstly, regulation around corporate governance is still in varying stages of development. In many markets, under-developed capital markets (i.e. characterised by a small or weak local institutional investor base) push shareholder rights to the bottom of the priority list for local authorities. Good examples of this include the Philippines, Nigeria or Egypt.

There is no great surprise in this – they have many more pressing issues to fight first - but it does mean that shareholders who invest in locally listed companies often have much less say in how a company behaves. For example, to make proposals for shareholder meetings often requires 5-10% equity ownership in a company. This often makes shareholder meeting agendas much more unidirectional than one might see in the US or Europe where stakeholders are able to put forward proposals.

Additionally, you tend to find tightly held companies (insiders own 44% of our companies on average across our emerging market Funds) with no requirement to form independent boards (see table below for context). Proxy votes can therefore often be nothing more than a formality. This makes engaging around these votes all the more important as it takes the message directly to the decision-makers.

Proxy Voting Backdrop Across a Selection of Arisaig Markets

Country of Listing	No. of Arisaig Holdings	Avg. Insider Shareholding of Arisaig Holdings (as of June 2021)	Shareholding Required to Place Items on Shareholder Meeting Agenda	Board Independence Requirement
India	16	61%	10%	33%
China	9	65%	3%	33%
Philippines	3	59%	N/A	2 Members
Vietnam	2	53%	10%	33%
Pakistan	3	80%	10%	1 Member*
Hong Kong	2	34%	5%	33%
Brazil	7	40%	1-5%**	20%
South Africa	2	16%	2 Shareholders	50%
Nigeria	1	66%	5%	N/A
Egypt	3	62%	N/A	2 Members

**1/3 'preferred'*
***slides down with company size*
Source: OECD, Exchange websites, Arisaig Partners

The G in ESG

We have always incorporated a strong corporate governance ethic into our investment philosophy and approach. This analysis was extended to cover a wider range of environment and social issues to reflect the environmental constraints under which businesses now find themselves, and the increasing public expectations of corporate social performance.

Governance remains the cornerstone of our ESG strategy as we believe that good corporate governance enhances shareholder value through careful consideration of all long-term stakeholder interests.

Engaging Through the Vote

We recognise that proxy voting is an important part of our portfolio management process and we seek to vote on all possible resolutions. More specifically, we see a proactive approach to voting on our shares as an important engagement mechanism through which we can encourage improved corporate governance practices amongst our holdings.

Our Long-Term Investing Policy (which can be found at www.arisaig.com) highlights that we place great emphasis on direct engagement with companies to improve corporate performance on ESG issues. This makes sense for us as long-term investors with a concentrated portfolio of stocks.

As such, we strive to open up dialogue with management and the Board around key voting issues rather than simply submitting an anonymous response. We believe this results in a more constructive outcome for all parties.

Voting Responsibilities and Processes

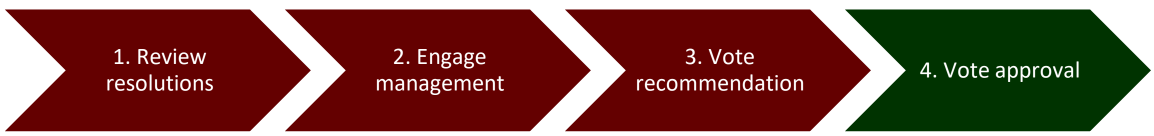
Administration of voting

We use ProxyExchange, the proxy voting platform provided by Institutional Shareholder Services (ISS), for the administration of voting. ISS receives on our behalf all proxy information sent by custodians that hold securities on behalf of our clients and funds. ISS posts all relevant information regarding the proxy on its password-protected website for our review, including meeting dates and agendas. The Research team receives various automated notifications from ISS to ensure that all agendas are considered and voted on a timely basis, for example when new agendas have been received and when there are unvoted ballots within five/two days of voting cut-off. ISS also provides vote execution, recordkeeping and reporting support services.

Voting process

Responsibility for proxy voting sits with the Research team. Figure 1 sets out the steps of our internal proxy voting process, which is described further below.

Figure 1: Proxy Voting Process. Steps 1 to 3 are undertaken by the covering analyst; Step 4 is undertaken by the Research Directors and Heads of Strategy.



Step 1: Review resolutions. The covering analyst is notified by ProxyExchange when new shareholder meetings are announced. The analyst reviews each resolution. The analyst considers the resolutions with respect to our in-house Corporate Governance assessment performed on the company (see Long-Term Investing Policy for more details on this), which helps to identify areas for potential improvement.

For more strategic voting decisions, such as whether to support the election of new Board members, or where the resolution impacts minority shareholders, such as the issue of new capital, further discussion with the Research Director and/or Heads of Strategy may be required.

Step 2: Engage management. If the analyst feel that insufficient information is provided by the company, we will seek further information in advance of casting a vote (ideally at least seven working days prior to voting deadlines to allow time for response). This engagement can be used to highlight concerns that we may have about the resolution and can be used as an opportunity to convey to the company the governance principle behind any potential decision not to support management.

Step 3: Vote recommendations. The analyst is responsible for proposing how we should vote on each resolution. Such recommendations consider the analyst's own research and knowledge of the company, as well as independent analysis and recommendations regarding the resolutions provided by ISS. It is important to note that the ISS analysis and recommendations are only to help improve analyst's understanding. Given our focus on a small number of holdings, whom we know extremely well, we maintain sovereignty over our voting decisions.

Voting recommendations are input into ProxyExchange by the analyst, together with supporting rationale. The relevant Research Director and Head(s) of Strategy are then notified, who review the recommendations and either confirm agreement or request further clarification/discussion.

Step 4: Vote approval. Final voting decisions are signed off by the responsible Research Director via ProxyExchange, which also executes the votes.

'Constructivism'

We like to describe our engagement style with companies as 'constructivist'. We hope that through a process of cooperative collaboration we can achieve better outcomes for all stakeholders over the long term.

We apply this same principle to our proxy voting process. As such, we have no desire to pursue proxy wars, in the belief that they have a low track record of success in emerging markets. This is particularly true when dealing with family or promotor-controlled businesses, of which we encounter many (not coincidentally, it is these same companies where a 'constructivist' approach can be most fruitful).

Our proxy voting escalation process (described below) is designed with this constructivist approach in mind: continuously striving to support positive change while gradually increasing pressure on management to make improvements on material governance issues.

Proxy Voting Escalation Process

- **Year 1:** Issue identified. Abstain on specific agenda item. Engage with management to explain our position and set out clearly the changes we would like to see along with supporting rationale. Record issue in our internal Engagement Tracking system (see Long-Term Investing Policy for more details on this).
- **Year 2:** If no progress or satisfactory explanation has been made on issue in question, vote against specific agenda item. Engage management to reiterate our position and request meeting to discuss progress.
- **Year 3:** If still no progress/satisfactory explanation has been made, vote against directors. Consider collaborating with other asset managers to engage management on the issue.
- **Year 4:** If there continues to be no progress/satisfactory explanation, record engagement as unsuccessful and review conviction in holding.

Important Principles

In exercising our votes, we take into account a multitude of different factors and make decisions on a case-by-case basis. We strive to maintain a consistent approach to our voting practices, which are centred around the 'best practice' criteria set out in our Corporate Governance Checklist. These can be summarised in several principles:

Long-term View

Given our focus on long-term value creation for all shareholders, we generally oppose resolutions that would lead to short term gains, at the expense of long-term value. As an example, we oppose aggressive tax avoidance strategies that may buoy short term profitability.

Strong, Independent and Diverse Board

We believe that the Board of Directors has ultimate responsibility for the establishment and oversight of governance of a company. Hence, we generally support resolutions that empower Boards of directors to act in the best interests of the company, its stakeholders and minority interests, and affirm management accountability.

In this regard, we believe that majority independent Boards are best placed to act in the best interests of the company and support the election of Boards that contain at least a majority of independent directors. We also believe Board diversity, both in terms of gender and experience, plays an important role in ensuring effective oversight of both strategy and risk management.

We support a process of electing all directors individually and annually. We believe that voting on independent directors should be open only to minority shareholders, as it is they who are tasked with representing the latter's interests.

We understand that there is a need for Board continuity, but equally view Board renewal as a key process for ensuring effective oversight. For example, we adopt a 'comply or explain' policy when it comes to voting on the re-appointment of any independent director who has served for ten years or more.

We believe that a Board should be monitored for its effectiveness and support processes that will share information on performance with shareholders. This includes disclosure of all qualifications, duties, remuneration and attendance of each Board member.

For a Board member to deliver on his or her responsibilities, it is critical that they attend as many Board meetings as possible. We review attendance records when we consider Board member re-election and would look carefully at any member that was not able to make at least 75% of the meetings.

We believe that the Chairperson of the Board and CEO have different roles and responsibilities and so we support the separation of Board chair and CEO. It is vital that an independent view is heard on key sub-committees for audit, compensation and nomination, hence we believe that these committees should be majority independent.

In terms of remuneration of directors, we support a transparent approach where fees reflect the responsibilities, qualifications and time commitments of the role.

Share ownership can be used effectively to align interests of Directors with company performance and we support share ownership by directors. However, share options are reviewed on a case-by-case basis.

We do not support remuneration of directors that could increase a director's financial reliance on a company and therefore skew their independent role, hence we carefully review any retirement or severance payments as well as consulting fees.

Compensation

We support full disclosure of the compensation package and share ownership of senior executives as well as the right to vote on this.

We support remuneration packages that enforce and/or enable share ownership by senior executives, believing that co-ownership creates a strong alignment of interests. When combined with long minimum holding periods and clawback provisions, long-term shareholder value becomes the shared concern of all parties.

While we tend not to get caught up in the specifics of the performance targets – a suitably qualified and independent compensation committee should take care of this – we do want to see the inclusion of both return on capital and sustainability measures. We believe that these steer management towards disciplined and thoughtful stewardship of the company, which should drive superior long-term performance.

Audit

We support the appointment of a reputable, independent auditor that has a proven track record. The audit partner should be rotated at least every five years to ensure fresh oversight, and the audit firm should be rotated at least every ten years.

Capital Structure

We believe that voting rights should be distributed in proportion to economic interests. As such, we tend to look warily at dual class share structures and where they exist, we encourage a process of internal review over the ongoing suitability.

We believe that any share issuance that would have a dilutive effect on current investors in the company should be approved by minority shareholders. More importantly, all shareholders should also be allowed to take part pari passu in any such issuance.

Dividends

We support dividend payments for established companies, provided it does not compromise growth. We do believe that a commitment to some level of dividend payout can serve as an effective mechanism for capital allocation discipline.

Related Party Transactions

While we understand that related party transactions (RPTs) have traditionally been a common feature in many emerging markets, we are highly wary when we identify them within a business. When we do see them, we expect them to remain at minimal levels and for them all to be conducted at arm's length – i.e. to be constantly measured alongside alternative open-market contracts. We also suggest that they require a majority approval amongst independent directors, which should ensure that minority shareholders' interests are represented in this process.

Sustainability

We believe that ESG factors have the potential to influence shareholder value. Hence, where shareholder proposals specifically focused on sustainability are raised, we vote on a case-by-case basis, but do so in a way that reflects our long-term investment horizon. Where applicable our voting practices are consistent with our responsible investment policy and commitment to organisations, including the United Nations Principles for Responsible Investment (PRI), Carbon Disclosure Project (CDP) and the Sustainable Accounting Standards Board (SASB).

Net Zero

In 2020, we declared our commitment to transition all our portfolios towards 'Net Zero' carbon emissions by 2050[1]. We see engagement as the key enabler for this as opposed to trading. As such, to align our voting decisions with this long-term goal, we will be raising the bar on the standards we expect from companies in terms of how they are managing this critical issue of climate change. **In practice, this will mean voting against the approval of company accounts and the (re-) election of Board Directors in companies that fail to meet our creeping Transition Pathway Initiative (TPI) Management Quality hurdles.** The first gatepost for this will be for companies to reach Level 2 – 'Capacity Building' – on the assessment framework by 2023. We have already begun engaging with companies to educate them about this and encourage them to improve practices and disclosure.

Conflicts of Interest

There may be times when meeting agendas or proposals create a (potential) conflict of interest. Where such cases are identified, we will follow the procedures set out in our Conflict-of-Interest Policy to prevent actual conflicts of interest from arising in practice or to manage them in such a way as to eliminate any material risk of prejudice to a relevant client.

Transparency

On an annual basis, we publish an ESG Review to summarise our work from the previous 12 months. This specifically reports on our proxy voting activities and associated engagement activities. We also continue to publish ad-hoc research to emphasise the importance of strong corporate governance and sustainability practices in emerging markets.

[1] Please see our Net Zero Commitment document for full details on this