

Pyrford



Proxy Voting Policies

Responsible Investment Strategies

For professional investors only

Date of review: September 2018

General Policy

Pyrford's policy with respect to the voting of proxies is clear and simple. Firstly, if the Trustees of the funds under our management direct us to vote in a particular way, we will of course implement their instructions.

In the absence of such instructions from the Trustees, it is Pyrford's policy to **consider every resolution** individually and to cast a proxy on each issue; the sole criterion for reaching these voting decisions being the best interests of the client. This is part of Pyrford's broader fiduciary responsibility to its clients.

Pyrford have appointed ISS Proxy Voting Services to monitor meetings data and to produce a voting schedule based upon individual client's proxy voting guidelines or Pyrford's guidelines where a client does not provide their own.

1.0 Specific Policies

The following guidelines are a summary of Pyrford's philosophy on major Proxy Voting Issues.

It is not an exhaustive list and the test of how Pyrford should vote will remain on a case by case basis judged by overall shareholder interests.

1.1 Social Responsibility

- Proposals protecting the environment must be individually examined. Vote in support of disclosure type proposals. Vote for reports on the extent to which the company conforms with the CERES Principles (please see section 2, page 5 for full details of the principles);
- Proposals regarding nuclear energy must be individually examined. Vote in support of disclosure type proposals;
- Proposals disclosing human rights issues should be supported after being individually examined;
- Vote for resolutions that request the company to develop criteria for military contracts and report on its activities to shareholders;
- Vote against resolutions regarding conversion or diversification into civilian fields, interfere with management prerogatives or demand that the company abandon its military business;
- Vote for resolutions requesting reasonable disclosure of hiring, evaluation and promotion policies and practices;
- Withhold votes from, or vote against, a suggested slate of directors that has been unresponsive to social or environmental issues and where corporate performance has been unsatisfactory;
- Vote in favour of proposals for increased regulation in the area of testing and approval of genetically engineered foods. Vote in favour of proposals for stronger long-term testing procedures and protocol in genetically engineered foods.

1.2 Board of Directors

- Support having the positions of Chair and CEO filled by separate individuals.
- Vote against cumulative voting unless cumulative voting will provide an independent voice on an otherwise unresponsive board of directors.
- Vote in favour of shareholders being permitted to vote for individual directors rather than as a slate.
- Vote in favour of shareholders being permitted to express their approval of the contribution made by each director.
- Vote in favour of shareholders being permitted to require each director to provide greater accountability of their effectiveness on the part of the Board.
- Vote in favour of proposals that boards be comprised of a majority of independent or unrelated directors. Companies should disclose on an annual basis whether individual directors are unrelated directors.
- Vote in favour of proposals suggesting that a board's nominating, compensation and audit committees be comprised mostly or entirely of unrelated directors.
- Vote in favour of confidential voting procedures.
- Vote in favour of the annual election of all directors.
- Vote against increases in the size of the board above acceptable thresholds and when the proposed change might be used as an anti-takeover device.
- Vote against staggered Boards.
- Vote for director liability and against indemnification.
- Vote against or withhold voting for those directors who have a poor attendance record (less than two thirds) at board meetings.
- Where applicable, vote for proposals that are consistent with the following positions:

- **Diversity**

Boards should have members with differing backgrounds and expertise.

- **Commitment**

Individual board members should be expected to attend all board meetings and prepare in advance of the meetings. A director's continued service should be reviewed if he/she does not attend at least two thirds of board meetings.

- **Number of Directorships**

Individual directors should not serve on an excessive number of boards.

- **Effectiveness**

Boards should have processes in place to rate the effectiveness of both the board as whole and individual directors, and be prepared and willing to make changes as necessary.

- **Terms**

Boards should consider establishing a maximum length of service for Directors.

- **Approach to Corporate Governance**

Boards must be willing to engage in dialogue concerning corporate governance practices, establish acceptable corporate governance standards, disclose those standards and regularly evaluate the effectiveness of those standards.

- **Approach to Shareholders**

Boards must ensure there is a corporate willingness to communicate directly with shareholders and disclose information that demonstrates accountability to shareholders. There should be full disclosure of director compensation and meeting attendance.

- **Proxy Voting**

Boards should include opposing views on proxy circulars and should publicly communicate proxy voting results.

1.3 Executive Compensation

- Vote against any compensation measures which can be construed as excessive or likely to diminish the value of the corporation;
- Vote in favour of stock option plans, provided that such plans are not excessively generous having given due regard to:
 - Stock option plans are intended to tie compensation to performance;
 - Options must be priced at a level that conforms to the pay-for-performance principle;
 - Any plan that authorises shares representing 10% or more of the existing outstanding shares should not be supported;
 - Any plan that authorises shares representing 5%-10% of the existing outstanding shares should be given close scrutiny;
 - The price should not be lowered on options already granted in the event of a reduction of share price or market under-performance;
 - The number of options granted in a given year should be restricted to less than 1% of the shares outstanding (or 20% of the options available under the plan);
 - Awards to employees/employee directors and to non-employee directors should be allowed provided that awards to non-employee directors are non-discretionary, clearly defined, contain fixed issue and exercise rules and do not represent excessive dilution;
 - Restricted stock should not be 100% vested when granted. The usual time period is 5 to 10 years. Options should have a minimum holding period of at least 3 years before they can be exercised;



- The following forms of stock options should be supported: non-qualified stock options granted at fair market price, incentive options, restricted stock with adequate restrictions, performance shares, stock appreciation rights and phantom shares (Note 1);

- Support stock option plans with change in control provisions which do not allow for option holders to receive more for their outstanding options than shareholders would receive for their shares;

- Oppose change in control arrangements developed in the midst of a takeover fight specifically to entrench management;

- Oppose plans that give the Board of Directors broad discretion in setting the terms of the grant (price, form, replacement etc.);

- Support plans that allow employees to acquire stock options with a company loan that is reasonable in relation to annual salary and at market rates (Note 1);

- Oppose plans that do not require periodic shareholder approval;

- Oppose Omnibus plans. Shareholders must be able to vote on each component of such a plan;

- Companies should clearly disclose the cost of option plans.

• Vote against 'golden parachutes' that may provide excessive compensation to management and/or materially reduce the value of the company to an acquirer;

Note 1 – Individual client guidelines differ on these issues and reference to guidelines should be made for each client.

1.4 Takeover Protection

• Support plans ("poison pills") to provide the target company with sufficient time to maximise value in a takeover situation;

• Support plans that provide for equal treatment of the shareholders of a corporation with a change of control;

• Do not support provisions ("poison pills") that are designed to prevent a takeover from occurring;

• Do not support plans ("poison pills") which entrench management to the detriment of shareholder interest;

• Support Boards of Directors that:

- Submit major corporate changes to a committee of independent directors for review and approval;

- Submit major corporate changes to a vote of shareholders not controlled by management (without impediment);

- Give shareholders ample time for review and enough information (usually audited financial statements) to make informed judgements;

- Do not allow management to short track a takeover bid by using the company's retained earnings or borrowing power to buy up large blocks of stock or by seeking out a friendly third party to buy large blocks of stock without extending the offer to other shareholders;

- Propose a shareholder rights plan with a renewable lifetime of not more than three years at which time the plan must be re-submitted to shareholders for approval;

- Approve only break fees that are computed by reference to the direct costs of the acquirer's bid and do not discourage competitive bids (See previous, Note 1);

- Allow for exemptions for lock-up agreements so that a bid may proceed and not be prevented by a lock-up agreement.

• Vote against shareholders rights plans unless it is determined that a specific plan is in the best interests of the shareholders.

• Vote against 'Crown Jewel' defence proposals unless there is evidence that shareholder interests are protected.

• Vote for "going private" transactions only if shareholder interests are protected.

• For leveraged buy-outs and/or lock-up arrangements which do not meet the above criteria, withhold votes from or vote against the slate of directors at the first opportunity, if it is evident shareholder interests are not protected.

• Vote in favour of re-incorporation proposals that are justified on financial, commercial or economic grounds.

• Vote against re-incorporation proposals that are used as part of an anti-takeover defence or to limit directors' liability.

1.5 Shareholder Rights

- Keep informed about corporate governance issues and manage proxy votes to protect stock ownership rights from protection;
- Do not allow a preoccupation with the short-term to interfere with management's ability to concentrate on long-term returns, productivity and competitiveness;
- Vote against proxy systems which do not permit shareholders to vote on issues individually and without links to other proposals;
- Vote against issuance of a new stock with rights beyond those in shares outstanding unless offered on a pro-rata basis to existing shareholders before being sold to outsiders;
- Vote against the granting to, extension of or restoration of any multiple-voting privileges held by any officer or director of the company;
- Vote for the replacement of dual class shares with one-share, one-vote shareholder democracy, provided that the cost of such change is modest and in the non-controlling shareholders best interests;
- Vote against any super-majority voting requirement that exceeds two-thirds of the outstanding shares;
- Vote against greenmail or equivalent transactions. If no vote is offered on a general transaction, withhold vote from or vote against the slate of directors at the first opportunity;
- Vote against linked proposals where contrary to shareholder interests;
- Vote against share issues or equivalents for which voting privileges have not been defined, such as blank cheque preferreds;
- Vote for increase in authorised common stock, not to exceed 100% of existing authorised shares;
- Vote in favour of price provisions as long as they are not linked to other governance issues;

- Shareholder proposals should be viewed on a case-by-case basis. Do not support proposals that:
 - Require management or directors to consider a wide range of discretionary factors in making business decisions;
 - Are submitted for the purposes of enforcing personal grievances or for securing publicity for a personal matter;
 - Do not have a significant relationship to the corporation's business or affairs;
 - Are not within the authority of shareholders to decide.

1.6 Appointment of Auditors

- Review the recommendations by the Audit Committee and board of directors to ensure the independence and accountability of auditors, especially in the following circumstances:
 - The recommended auditor is replacing a previous auditor because of a disagreement between the previous auditor and management or the board;
 - The audit firm receives significant non-audit consulting fees from the company;
 - The same firm and/or partner in the firm has performed the audit for excessively long periods of time;
 - The audit firm has been derelict in its duties in the past.
- Companies should disclose all relationships with the audit firm and the amount of fees paid to the auditors for the audit and non-audit consulting fees;
- Recommendations will be considered on a case-by-case basis. Vote against the auditors recommended by the board if companies fail to disclose all relationships with the audit firm, or the fees paid to the auditors for non-audit consulting services exceeded the fees paid for the audit.

2.0 The Ceres (formerly Valdez) Principles

2.1 Protection of the Biosphere

We will minimise and strive to eliminate the release of any pollutant that may cause environmental damage to the air, water, or earth or its inhabitants. We will safeguard habitats in rivers, lakes, wetlands, coastal zones and oceans and will minimise contributing to the greenhouse effect, depletion of the ozone layer, acid rain or smog.

2.2 Sustainable Use of Natural Resources

We will make sustainable use of renewable natural resources, such as water, soils and forests. We will conserve non-renewable natural resources through efficient use and careful planning. We will protect wildlife habitat, open spaces and

wilderness, while preserving biodiversity.

2.3 Reduction and Disposal of Waste

We will minimise the creation of waste, especially hazardous waste, and wherever possible recycle materials. We will

dispose of all waste through safe responsible methods.

2.4 Wise Use of Energy

We will make every effort to use environmentally safe and sustainable energy sources to meet our needs. We will invest in improved energy efficiency and conservation in our operations. We will maximise the energy efficiency of products we produce or sell.

2.5 Risk Reduction

We will minimise the environmental, health and safety risks to our employees and the communities in which we operate by employing safe technologies and operating procedures and be being constantly prepared for emergencies.

2.6 Marketing of Safe Products and Services

We will sell products or services that minimise adverse environmental impacts and that are safe as consumers commonly use them. We will inform consumers of the environmental impacts of our products or services.

2.7 Damage Compensation

We will take responsibility for any harm we cause to the environment by making every effort to fully restore the environment and to compensate those persons who are adversely affected.

2.8 Disclosure

We will disclose to our employees and to the public incidents relating to our operation that cause environmental harm or pose health or safety hazards. We will disclose potential environmental, health or safety hazards posed by operations, and we will not take any action against employees who report any condition that creates a danger to the environment or poses health and safety hazards.

2.9 Environmental Directors and Managers

At least one member of the Board of Directors will be a person qualified to represent environmental interests. We will commit management resources to implement these Principles, including the funding of an office of Vice President of Environmental Affairs or an equivalent executive position, reporting directly to the CEO, to monitor and report upon our implementation efforts.

2.10 Assessment and Annual Audit

We will conduct and make public an annual self-evaluation in implementing these Principles and in complying with all applicable laws and regulations throughout our world-wide operations. We will work toward the timely creation of independent environmental audit procedures which we will complete annually and make available to the public.

3.0 Proxy voting procedure

Pyrford have appointed ISS Proxy Voting Services to monitor meetings data and to produce a voting schedule based upon individual client's proxy voting guidelines or Pyrford's guidelines where a client does not provide their own.

This schedule requires authorisation by an appropriately authorised member of our Investment team before the votes are registered.

Pyrford's practice in voting proxies clearly reflects the issues that we consider important in making investments. Pyrford seeks to invest in well financed companies with a strong management team and sound strategy which is capable of delivering attractive earnings and dividend growth over the long term. It is in this way that we believe our clients will achieve the best investment performance. This practice will involve the active consideration of all relevant and material factors pertaining to environmental, social and governance issues.

The proxy voting policy outlined above is applied to all countries in which we hold shares on behalf of our clients. We receive proxy notices from the account's custodian, or a third party appointed by the custodian. ISS carry out a reconciliation of the number of shares on the proxy ballot and our internal records

Pyrford will seek to vote on all proxies who have delegated responsibility to vote such proxies. We will only abstain on a vote where it proves impossible to obtain adequate or reliable details of the proposals to be voted on within the required time frame. Having appointed ISS, this is now only likely to happen in exceptional circumstances.



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