

## **Cape Ann Asset Management Limited**

### **Stewardship Code Statement**

This document describes how Cape Ann Asset Management Limited (“**Cape Ann**”) has applied the principles of the UK Stewardship Code (the “**Stewardship Code**”) in its role as a discretionary asset manager with respect to Client investments in publicly traded developing market equity securities.

#### **Principle 1 - A firm must publicly disclose their proxy voting and corporate governance policies and how they will discharge their stewardship responsibility.**

Cape Ann has outlined the key characteristics it looks for in boards of portfolio companies, in its Proxy Voting Policy and Procedures as well as its Environment, Social and Governance Policy. Cape Ann actively monitors and, where appropriate, will engage in dialogue with portfolio companies. Cape Ann’s belief is that active ownership – in the form of rigorous and long-term oriented analysis of investment prospects and holdings, proactive exercise of shareholder rights, and constructive engagement – can improve discipline, accountability, and long-term returns.

#### *The Key Characteristics Cape Ann Looks for in a Board*

Cape Ann looks to ensure that the boards of portfolio companies possess the following characteristics:

- Boards must recognise that they owe a service to their shareholders and, as an objective, must ensure that the company earns an attractive return on the capital contributed by shareholders.
- Boards must exhibit a good understanding of their business risks and opportunities and ensure performance drivers and values are consistent with sound business practices.
- Boards must develop a sound business plan backed by good capital allocation and not a series of high priced acquisitions.
- Boards must maintain the sound capitalisation of their companies. Too much debt is discouraged and any debt should be funded long term. Boards must avoid diluting shareholder returns by retaining excess capital that cannot be invested at appropriate returns.
- Boards must ensure that their company recruitment and human resources policies are structured to maintain competent management at a reasonable cost to shareholders without high cost imports.

Companies in Cape Ann’s investment programme may not exhibit some or all of these characteristics. Cape Ann will, however, take them into account when voting proxies and engaging with management.

#### *Proxy Voting Policy and Procedures*

Cape Ann considers it to be of paramount importance when assessing proxy voting responsibilities on behalf of its privately offered commingled funds and separately managed accounts (the “**Clients**”) to recognise the fiduciary responsibility it assumes in acting as investment manager. Cape Ann also recognises the need to exercise its proxy voting obligations with a view to enhancing long term investment values. Cape Ann believes that both are generally compatible with good corporate governance as they provide the best operating environment for each underlying portfolio company to cope with competitive commercial pressures. It is Cape Ann’s policy, subject to the considerations described below, to use its best efforts to vote proxies

arising on all shares held on behalf of the Clients.

Standard issues typically arise at Annual General Meetings (“**AGMs**”) or Ordinary General Meetings (“**OGMs**”). Standard issues may include items of a routine nature such as the presentation of financial statements to shareholders, approval of routine executive compensation or incentive plans, approval of financial statements by shareholders, election of directors and approval of director’s fees, election of auditors and approval of audit fees and declaration of dividends. Material issues may arise at Extraordinary General Meetings (“**EGMs**”), Special General Meetings (“**SGMs**”), OGMs or AGMs. Material issues may include items that relate to corporate governance matters; changes in a company’s country of incorporation; mergers and other corporate restructurings; anti-takeover provisions such as staggered boards, poison pills, or supermajority provisions; changes to capital structures including increases and decreases of capital and preferred stock issuance; material stock option, management compensation, or incentive plan issues; and social and corporate responsibility considerations. Cape Ann also considers standard issues to be material issues when it has knowledge that a potential conflict of interest with management is present. These situations can arise where a portfolio company’s U.S. retirement plan assets are otherwise managed by Cape Ann, a portfolio company or one of its affiliated entities is also a counterparty to Cape Ann’s security or foreign exchange transactions or where the person responsible for overseeing investments at the Unitholder invested in a Client is also a director or officer of a portfolio company that would materially benefit from any executive compensation or incentive scheme subject to shareholder vote. Cape Ann may not be aware of the roles performed for current and/or potential portfolio companies by Unitholders. Unitholders should notify Cape Ann of any known affiliations with publicly traded companies that could fall within Cape Ann’s investment universe. Unitholders should also notify Cape Ann if they are actively involved in the financial services industry or affiliated or employed by an investment bank, broker, custodian or asset management firm.

The Northern Trust Company (“**Northern Trust**”) holds all securities for the benefit of the Unitholders in Cape Ann’s various commingled funds. Cape Ann has directed Northern Trust to outsource certain of its proxy processing responsibilities to ISS, a leading provider of proxy voting. ISS provides Cape Ann with meeting notification and ballot delivery services, agenda summaries, detailed agenda content including original source documents, translation services, power of attorney maintenance, recordkeeping and custom reports and vote instruction processing services. Meeting notifications are provided according to an established service level agreement in place between Cape Ann and ISS and one in place between the Northern Trust and Cape Ann. Cape Ann does not outsource any part of its proxy voting decision making process to ISS or Northern Trust. Separate arrangements may be in place for the custodians appointed by any permanent separately managed account relationships.

Following receipt of proxy voting materials from ISS, Cape Ann’s administration group prepares a “Proxy Voting Summary Form”. The form includes the details of the number of shares held by a Client and a deadline for the response. If only standard issues are included on the proxy, one authorised person will decide on how to vote the proxy and sign the proxy voting summary form. If material issues are included, enhanced procedures apply. The issue will be discussed with two or more authorised personnel and they will assess the potential impact that the issues may have on the portfolio company, and decide on how to vote the proxy in question. The proxy voting summary form will then be approved and the proxy vote processed.

In certain circumstances, Cape Ann may be unable to vote a specific proxy including, but not limited to, when Northern Trust or ISS does not provide a voting service in a given market, because Northern Trust or ISS in error does not process a proxy or provide sufficient notice of a

vote or because an error is committed by any party involved in the proxy voting or registration process. Cape Ann may also refrain from voting if, for example, it is considering liquidating a position (as shares may be blocked when proxies are submitted), where the costs of voting a specific proxy outweigh the economic benefit that Cape Ann believes would be derived by a Client, where a specific class of shares or equity instrument does not carry voting rights with respect to a given issue subject to shareholder vote, or where re-registration of the shares into the Client's name (rather than Northern Trust's nominee's) name may (or may reasonably be expected to) result in a violation of local privacy laws or adversely impact the Client's economic interests.

Unitholders are advised that when voting proxies in certain markets, Cape Ann may be constrained by certain country or portfolio company specific issues. For example, some companies in the portfolio impose voting caps on the maximum number of proxy votes that any single outside shareholder may control. Others require all board issues to be resolved by a show of hands, rather than a poll. As all shares may be held by one nominee, these restrictions have the effect of substantially limiting the impact of any proxies cast. Furthermore, some companies in the portfolio may restrict Cape Ann from voting proxies where disclosures of holdings or securities under Cape Ann's control have not been made on a timely basis or in a format required under their articles of incorporation.

#### *Environmental, Social and Governance Policy*

Cape Ann is a signatory to the UN Principles for Responsible Investment and has developed an Environmental, Social and Governance ("ESG") Policy which describes the incorporation of ESG issues into our investment process. A copy of Cape Ann's ESG Policy is available to clients, prospects and interested parties upon request from [clientservice@capeannam.com](mailto:clientservice@capeannam.com)

#### **Principle 2 - A firm must have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.**

Cape Ann recognises the importance of identifying potential material conflicts and the need to have adequate systems and controls to avoid or mitigate their impact on the Clients. Cape Ann has developed a process for identifying various types of conflicts of interest and a policy for managing conflicts of interest associated with voting proxies and engaging with investee companies to include enhanced oversight by senior staff. Cape Ann has outlined additional procedures in its internal compliance procedures. Where conflicts of interest arise, Cape Ann endeavours to ensure clients continue to benefit equally from an opportunity or will look to remove the conflict from the equation.

#### **Principle 3 - A firm must monitor their investee companies with respect to material issues, which may include matters related to executive remuneration and to acquisitions.**

#### *Statement Regarding Executive Remuneration and Stock Options*

Cape Ann believes that it is desirable for management and staff of a public company to be owners or shareholders in that company. It is desirable because employees can share in the long term prosperity that they work to create. Shareholders then find that their interests are as aligned as possible with the interests of those working in the company. There are different ways to achieve this objective. Cape Ann starts by drawing a simple, but very important, distinction between share ownership and share options. These are not synonymous. Cape Ann expects management remuneration to have a significant variable element – typically a bonus to reflect both individual

merit and the success of the business. The more senior the management the more closely these criteria come together. Cape Ann also believes that some proportion of this bonus should be received in shares. The precise amount of bonus and the proportion that should be received in shares should be at the discretion of a remuneration committee that reviews available indicators of individual and business performance. Cape Ann sees a distinction between business performance and share price performance. Management have the opportunity to help deliver good business performance – attractive returns on capital and a good growth in earnings, dividends and asset value – but the share price may be an entirely different matter for extended periods of time. Cape Ann favours remuneration that is geared to business performance not stock market performance. By awarding shares in this way, the expense becomes part of the overall remuneration cost and is properly and transparently charged.

Cape Ann supports as broad a level of share ownership as possible within a given portfolio company and does not favour schemes that are narrowly focussed. What is being sought is a system which helps to create a better ethos across the whole company. This can only be achieved by broad application. The essence must be to reward employees who think in terms of the long term interest of the business. Schemes should be put in place for the long term, not as a short term matter. The main beneficiary becomes an employee who makes a sustained commitment to the company.

- Cape Ann monitors the companies in which we invest and, where appropriate, will communicate our views to their management and their boards. This dialogue allows Cape Ann to monitor the development of companies' businesses, including areas such as overall strategy, business planning and delivery of objectives, capital structure, proposed acquisitions or disposals, corporate responsibility and corporate governance.
- Cape Ann seeks to satisfy itself, to the extent reasonably practicable, that the investee company's board and committee structures are effective, and that independent directors provide adequate oversight. Our monitoring of investee company boards, strategy, operational, governance, performance and capital allocation is integral to its investment process;
- Cape Ann monitors the effectiveness of its engagement with the managements and boards of investee companies. Cape Ann's communications, and the success of any such communications, will play a part in our proxy voting decisions;
- Cape Ann votes the vast majority of shares it controls by proxy. Cape Ann will, in exceptional circumstances, attend meetings for companies in which there are large holdings, where a problematic issue is being discussed and/or if Cape Ann believes that this is reasonably necessary to fulfil its fiduciary responsibilities to the Clients. Cape Ann will introduce AGM and/or EGM motions where it believes it is in the best interest of the Clients to do so;
- In the unlikely event that Cape Ann is made an insider, Cape Ann follows its internal compliance procedures governing market abuse and insider dealing; and,
- In accordance with applicable law and its internal document retention policies, Cape Ann keeps electronic records of material engagements, voting and other corporate governance and corporate responsibility activities, including the rationale for voting decisions.

#### **Principle 4 - A firm must have guidelines on how they will escalate their activities.**

Cape Ann prefers to have confidential and private discussions with companies as we believe that this enables Cape Ann to build an effective relationship with boards and management. Cape Ann will consider engaging in more public communications and/or proxy activities. This may include voting against the management or board of an investee company or a given motion, issuing a press release documenting its opposition to a given issue, recommending to other shareholders that

they take a specific action, introducing AGM and/or EGM motions and/or attending meetings in person.

**Principle 5 - A firm must be willing to act collectively with other investors.**

Subject to regulatory restrictions, conflicts of interest and acting in concert restrictions, and where it is in the best interests of the Clients to do so, Cape Ann will participate in collaborative engagement activities. These are considered on a case by case basis and addressed in the context of economic environment and other business issues. Cape Ann looks to avoid situations where it will become an insider unless there is a clear economic benefit to the Clients from doing so.

**Principle 6 - A firm must have a clear policy on voting and the disclosure of voting activity.**

Cape Ann has documented its Proxy Voting Policy and published it in this document, in its SEC Form ADV Part 2 and the offering memorandum for its commingled funds (as applicable).

**Principle 7 - A firm must periodically report to clients on its stewardship and voting activities.**

Unitholders may receive a quarterly summary of proxies voted or not voted by contacting Cape Ann's Client Services representatives and asking to be included on the quarterly proxy voting distribution list. Cape Ann does not provide other third parties with information on how it has voted proxies. Cape Ann does not subject its proxy voting systems and/or procedures to review by its auditors or any independent third parties due. Cape Ann believes this to be unnecessary given the simplicity of Cape Ann's business structure and the sophistication of its institutional client base.