Pacific Capital Partners Limited

FCA Firm Reference Number: 171200

Engagement and Proxy Voting Policy

(COBS 2.2B.6 R)

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1. Introduction

This document summarises the policy of Pacific Capital Partners Limited (PCP or the Firm) on engagement and proxy voting, and it should be read in conjunction with the Firm's Responsible Investment Policy. Other relevant documents include the UK Stewardship Code and PRI submissions, plus regular reports on voting and engagement activity all publicly available on the Firm's website or upon request. This policy document applies to all engagement activities across all assets under management and all holdings over which the Firm has discretion to vote.

1.1 Engagement

The EU Shareholders 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. These obligations were implemented in the UK from 10 June 2019, and those which apply to asset managers are contained in the Financial Conduct Authority's Conduct of Business Sourcebook (COBS).

As an investment firm that provides portfolio management services to investors, Pacific Capital Partners Limited (the Firm or Pacific) is considered an SRD asset manager. This document sets out Pacific's engagement policy in line with the requirements under SRD II.

1.2 Proxy Voting

Subject to specific mandate restrictions, PCP is typically responsible for voting proxies and taking decisions in connection with corporate actions (referred to herein as proxies or a proxy) with respect to equities, bonds, loans or other debut instruments (referred to herein as securities) held by or held on behalf of the clients for which it serves as investment manager (Clients).

PCP is registered with the UK Financial Conduct Authority as an alternative investment fund manager with additional MiFID top-up permissions to manage separately managed accounts. The Firm is also registered with the SEC as an investment adviser under the Advisers Act.

Rule 206(4)-6 under the Advisers Act requires every investment adviser who exercises voting authority with respect to client securities to adopt and implement written policies and procedures, reasonably designed to ensure that the adviser votes proxies in the best interest of its clients. The procedures must address material conflicts that may arise in connection with proxy voting. The Rule further requires the adviser to provide a concise summary of the adviser's proxy voting process and offer to provide copies of the complete proxy voting policy and procedures to clients upon request. Lastly, the Rule requires that the adviser discloses to clients how they may obtain information on how the adviser voted their proxies.

In addition, the UK Stewardship Code Principle 6 requires that institutional investors should have a clear policy on voting and disclosure of voting activity.

This policy seeks to set out the Firm's policy and procedures regarding proxy voting to ensure it is done in a manner consistent with the best interests of the Firm's clients. It does not seek to address every situation but rather provides an overview of the Firm's approach in ensuring that good governance structures are in place in investee companies.

2. Engagement Policy Standards

2.1 Integration of shareholder engagement within Pacific's investment strategies

As a responsible investor and as a signatory to the United Nations Principles of Responsible Investment (PRI), Pacific is committed to ensuring that it monitors and engages with investee companies and underlying funds on behalf of its clients. The Firm regularly engages directly with company boards outside of the traditional AGM cycle on matters ranging from remuneration to mandate change.

Ongoing research and analysis on investee companies by the portfolio managers include evaluation of performance on strategy, financials, risk and material environmental, social & governance factors (ESG factors). ESG factors are incorporated into the Firm's fundamental research process for direct investments as these can have a significant impact on long-term valuations. The Firm's portfolio managers conduct in-depth research into UK and overseas equities, including holding meetings with companies' management each year as well as undertaking media and other desk-based research.

The Multi-Asset Sustainable team currently covers open ended funds, investment trusts and off shore specific funds. The relevant investment team closely monitor the performance of underlying fund managers. This includes an annual review of the fund managers' own Responsible Investment Policies, including the Stewardship Code and their UN PRI submissions where applicable.

2.2 Prioritisation of ESG topics in stewardship efforts

To prioritise ESG topics in our engagement activities, the Firm applies a materiality framework, informed by the Sustainability Accounting Standards Board (SASB) Materiality Map, to identify sustainability issues that are most likely to affect the financial condition or operating performance of companies within an industry. The most material issues at a company level are identified, evaluated and prioritised using fundamental research, engagement and additional data sources. These considerations are then included within the Firm's investment decision-making process. SASB materiality is also utilised in generating proprietary ESG scores utilising the TruValue Labs dataset, which further helps to inform the investment teams of the key considerations at an industry level.

In assessing materiality, the firm seeks to understand how stewardship and engagement efforts effect sustainability outcomes.

2.3 Monitoring investee companies

As part of the Firm's investment process, it undertakes research and ongoing monitoring of the companies and underlying fund managers in which the Firm invests to assess the potential of providing long-term returns.

The Firm's portfolio managers and analysts carry out analysis of potential investments and ongoing monitoring which may focus on the investee company/underlying fund's strategy, performance, risks faced, and its commitment to corporate governance and quality and experience of management.

The investment teams also monitor public statements of investee companies through financial information platforms such as Bloomberg, financial statements and regulatory announcements, reports & accounts, results meetings and capital markets days.

2.4 Conducts dialogues with investee companies

Engagement with investee companies and underlying fund managers will most likely be through direct dialogue with the investor relations team and/or management teams or through exercising voting rights at General Meetings. If the Firm thinks a company or underlying fund is not being managed in the interests of its clients, it will decide how best to engage with the company or underlying fund to address this.

Where the Firm has concerns about the performance or strategy of an investee company or underlying fund, or where it has reason to believe that the Firm's clients' rights as shareholders are being compromised in any way, the Firm will, in appropriate circumstances, escalate its involvement with investee companies or the relevant underlying fund manager.

Whilst the Firm does not believe in micro-management, in some cases it may be necessary. This could include issues with board independence or remuneration. In cases such as these the Firm would open a dialogue and write to the company/underlying fund manager or meet directly with management to express its concerns.

In cases where deemed necessary, the Firm will abstain or vote against management resolutions. Where the Firm abstains or votes against management resolutions it may write to the Chair of the Board to explain the reasons. If a satisfactory response is not possible, the Firm may look to escalate this further.

The escalation process would include, but is not limited to:

- Holding additional meetings with management specifically to discuss concerns
- Intervening jointly with other institutions on particular issues
- Submitting resolutions
- Disinvest if the Firm felt that clients would be at a material disadvantage.

2.5 Cooperating with other shareholders

Pacific is willing to and prioritises acting with like-minded shareholders in collaborative engagement efforts where appropriate and keeping the best interests of its clients in mind, so long as in doing so the Firm is able to comply with all appropriate regulatory rules.

2.6 Communicating with relevant stakeholders of investee companies

Although this is likely to be rare, where relevant the Firm will consider communicating with relevant stakeholders of investee companies, defined as any individual or entity potentially affected by the company's actions in pursuit of its primary objectives. This could include employees, creditors and suppliers as well as shareholders. Where the Firm intends to communicate with such stakeholders it will notify the Chair of the Board of the investee company.

2.7 Integration of engagement efforts into investment decision making processes

In assessing and integrating engagement efforts in decision making, the firm seeks to understand how stewardship and engagement efforts affect sustainability outcomes. There is a process by which stewardship and engagement activities are logged and reviewed internally, to assess their impact at achieving the aims of the engagement. These engagement activities are reviewed in the quarterly Responsible Investment Committee meeting, and internal challenges can be used to further engagement efforts. This helps Pacific to ensure alignment and real-world outcomes with stewardship and engagement efforts across the business and industries for different teams. Failure to provide adequate responses from businesses could be cause for Pacific to cease investing in a company.

Reporting and screening tools are also used internally to flag for controversial holdings within portfolios. Investment teams can then be challenged on these holdings to ensure alignment with Pacific's policies.

3. Proxy voting policy

3.1 Policy standards

PCP will vote proxies in a prudent and diligent manner and in the best interests of clients, consistent with the objective of maximising long-term investment returns and protecting shareholder rights. Not only is this commensurate with good market practice, it goes hand in hand with ensuring the responsible investment of clients' funds.

PCP has appointed Institutional Shareholder Services (ISS), a leading independent corporate governance research provider, to analyse corporate actions, management recommendations and make vote recommendations in order to assist the Firm in the independent assessment of governance issues.

Furthermore, the firm relies on ISS' enhanced Socially Responsible Investing (SRI) voting policy, which differs from the default ISS position on several environmental, social, and governance factors, including environmental impact, climate change, human rights, labour practices and corporate governance. Votes under this policy encourage performance improvement of these factors. Furthermore, an increasing amount of votes are casted against management resolutions if they could potentially affect these factors in a negative way. The ISS SRI methodology is designed to reflect both the consensus and best practise of the responsible investment community, considering policies developed initial by large institutional religious investors. This is furthered by incorporating the active ownership policies of bodies such as the UN Environment Programme Finance Initiative and the Principles for Responsible Investing, as well as the UN Global Compact and EU Directives.

The full ISS SRI voting guidelines and methodology can be found at the following website: SRI-International-Voting-Guidelines.pdf (issgovernance.com)

PCP's management body have established a Responsible Investment Committee with the aim of strengthening internal communications on stewardship issues. The committee comprises members of the risk, investment management, compliance departments and the Firm's Chief Sustainability Officer. The common membership of the committee ensures consistency in the Firm's stewardship and responsible investing approach (which includes giving consideration to Environmental, Social and Governance issues).

3.2 Proxy voting procedure

PCP uses the Proxy Exchange platform for proxy voting. All the voting recommendations relevant to the Firm's clients and funds are provided by ISS through the platform. The Firm additionally uses ISS's Socially Responsible Investing (SRI) overlay solution for proxy voting guidance from a sustainable finance perspective.

PCP will vote with the independent research recommendations unless it chooses to override it based on its own analysis.

3.3 Specific Client Instructions

Where, under any circumstances, a client provides PCP with specific voting instructions, PCP will vote in accordance with those specific instructions, and will not vote in accordance with this policy. Where a client's instruction do not relate to all matters to be voted upon, PCP will continue to apply its proxy voting policy to those matters not covered by such specific instructions. Clients should be aware that providing specific instructions to PCP in relation to a particular matter may prevent the Firm from taking the steps set out in its proxy voting policy to obtain the best possible result in respect of the matters covered by those instructions. PCP will accept no responsibility in connection with proxy voting matters that it has received no notice of, or has not received timely or accurate notice of from a custodian or relevant service provider responsible for the holding of its securities.

4. Conflicts of interest

The Firm has a Conflicts of Interest Policy. All employees are required to declare any conflicts of interest, including those which may arise as a result of engagement, and the Firm has in place arrangements to prevent or manage any conflicts identified.
For proxy voting purposes, PCP has contracted ISS to provide the corporate governance voting recommendations relevant to the Firm's investee companies, the Firm will generally follow these recommendations by default. However, the Firm recognises that, although unlikely, there may be instances where a conflict of interest may present itself with respect to a vote and affect the Firm's ability to act in the best interests of its clients. Where that is the case, the conflict will be escalated to the Compliance team and where a potential material conflict of interest has been identified in relation to a proxy vote, PCP will call upon an independent third-party to make the voting decision or may elect not to vote. Stocks placed on the Firm's restricted list may not be voted.

5. Responsibility

The Responsible Investment Committee has overall responsibility for ensuring this Policy complies with the obligations under the SRD II and Rule 206(4)-6 under the Advisers Act.

The various investment teams have primary and day-to-day responsibility for the implementation of this Policy, dealing with any queries about it, and implementing internal control systems and procedures that are required to adhere to the Policy, with input provided by the Responsible Investment Committee. The Compliance team will be responsible for conducting a second line of defence in monitoring and effectiveness reviews.

6. Annual Review & Disclosure

The Firm will disclose a general description of its engagement activities, voting behaviour, an explanation of the most significant votes and report on the use of the services of proxy advisors. The disclosure will include details of how votes have been cast and their underlying rationale, unless they are insignificant due to the subject matter of the vote or to the size of the holding in the company. The disclosure will be made on the Firm's website and updated annually, unless there has been any material change.

PCP maintains a record of all proxy voting decisions for a period of seven (7) years.

This Policy will be reviewed, updated and approved by the Responsible Investment Committee on at least an annual basis. Any material changes made to the Policy throughout the year will be approved by the Responsible Investment Committee.