



Liontrust Voting Policy December 2018 – US & Canada

The policy applies as far as appropriate to all main index companies in the US and Canadian markets and companies with a market cap greater than US\$3bn (or currency equivalent)*. We actively vote as an extension of our engagement and to signal support or concerns about a company's practices and proposals.

We recognise that companies are not homogeneous and some variation in governance structures and practice is to be expected. Reflecting the need for some practical flexibility, corporate governance models are increasingly operating on a “comply or explain” basis, which is an approach we are supportive of.

In making our final voting decisions we seek to have regard to any company specific context and clarifications, as well as local market standards. Within practical limits we aim, where possible, to raise issues of concern and engage with companies ahead of the General Meeting. Our core holdings are prioritised in this regard.

For companies with a market cap greater than US\$3bn (or currency equivalent) a buffer of US\$500m (or currency equivalent) will be applied for growing companies to allow management to adapt our policy recommendations, thus companies under US\$3.5bn (or currency equivalent) shall adapt the main ISS policy guidelines.

Voting Issue	Liontrust Policy	Vote Recommendations
<p>Appointment of Auditors and Auditor Fees (M0101, M0109, M0136)</p>	<p>We hold that the Audit Committee should pay particular attention to the provision of non-audit services by the external auditor.</p> <p>Where non-audit services have been provided by the auditor, We will consider carefully both the actual value of non-audit services provided as well as the ratio between the audit and non-audit fees.</p>	<p>Against if a big 4 auditor and if non-audit fees are more than 33% of audit fees.</p> <p>Abstain if a big 4 auditor and excessive non-audit fees are more than 33% of audit fees and an adequate explanation is given.</p> <p>Abstain if outside big 4 auditors and if non-audit fees are more than £500,000 (or market equivalent) and are more than 33% of audit fees.</p> <p>Against if outside big 4 and if non-audit fees of five consecutive years and more than 33% of audit fees.</p> <p>Against if auditor tenure > 15 years.</p>

<p>Company Boards (M0201) – Director Elections/Chairman (USA)¹</p>	<p>We expect that for US companies all directors be responsible for the balance of the Board. We expect that a minimum of 50% of the Board should comprise of independent directors and that non-independent directors should not sit on key board committees.</p> <p>We expect directors to be able to dedicate sufficient time to the role. We will vote against any director that we feel is overboarded. Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chairmanship counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates.</p> <p>Also, any person who holds the position of executive director (or a comparable role) at one company and a non-executive chairman at a different company will be classified as overboarded.</p> <p>We expect directors to attend at least 75 percent of the aggregate of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed in the proxy or another SEC filing.</p>	<p>Against if non-independent director and the board are less than 50% independent.</p> <p>Against if a Director is considered overboarded.</p> <p>Defined as follows:</p> <p>Individual directors who:</p> <ul style="list-style-type: none"> › Sit on more than five public company boards; or › Are CEOs of public companies who sit on the boards of more than two public companies besides their own— withhold only at their outside boards. <p>Against if a Director fails to attend at least 75 percent of the aggregate of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed in the proxy or another SEC filing. Acceptable reasons for director absences are generally limited to the following:</p> <ul style="list-style-type: none"> › Medical issues/illness; › Family emergencies; and › Missing only one meeting (when the total of all meetings is three or fewer).
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¹ Implementation Note: Vote in line with ISS on Responsiveness and Accountability issues.

Director Elections – Chair of Nomination Committee	<p>We may withhold support from the re-election of the Chair of the Nomination Committee:</p> <p>Less than 15% of the board comprised of women</p> <p>Less than 30% of the board comprised of women (but greater than 15%).</p>	<p>Against if fewer than 15% of women on the Board.</p> <p>Abstain if fewer than 30% of women on the Board (but greater than 15%).</p>
Combined Chairman/CEO	<p>We will vote abstain where a Company is seeking the election of a combined CEO and Chairman.</p>	<p>Abstain if there is a combined CEO/Chairman.</p>
Terms of Office	<p>Director terms should not exceed more than three years as we feel that longer terms of office reduce director accountability to shareholders.</p>	<p>Abstain if a 4 year term of office.</p> <p>Against if 5 year term or more of office.</p>
Audit and Remuneration Committees	<p>We will vote against any non-independent Director sitting on the Audit or Remuneration Committee.</p>	<p>Against if non-independent NED on Audit or Remuneration Committee.</p> <p>Against if an Executive Director on Audit or Remuneration Committee.</p>
Share Plans (M0501, M0503, M0507, M050, M0524, M0535)	<p>We will vote on a case-by-case basis on equity incentive plan proposals depending on a combination of certain plan features and equity grant practices, where positive factors may counterbalance negative factors, and vice versa, as evaluated using an "equity plan scorecard" (EPSC) approach with three pillars: Plan Cost, Plan Features, and Grant Practices.</p>	<p>- In line with ISS.</p>

<p>Remuneration Report (M0550) / Remuneration Policy</p>	<p>We determine the vote on the Remuneration Report in the context of overall levels of remuneration.</p> <p>Adhering to best practice guidelines, we will consider carefully the level of disclosure, where there are significant concerns over quantum of pay or where significant increases in salary have been granted without a clear justification.</p> <p>We expect executive pay and company performance to be reasonably aligned. Therefore, we believe that long-term incentives should be based predominantly on performance and we will consider the CEO equity pay mix (performance-based equity vs. time-based) as part of our voting decision.</p> <p>In line with we policy on Share Plans, performance targets should be disclosed (for both short and long term incentives) and be sufficiently stretching.</p> <p>We are typically opposed to discretionary payments.</p> <p>Appropriate vesting levels are expected and the dilution of share schemes should adhere to recommended guidelines.</p>	<p>If ISS voting against use explanation.</p> <p>Poor disclosure.</p> <p>Against if there are concerns over quantum/increase in base pay (>10%) without appropriate justification.</p> <p>Against if the percentage of the CEO's performance-based equity pay (LTIP) is less than 75%.</p> <p>Against share plans/annual bonus where performance targets are not applied/disclosed.</p> <p>Against share plans where performance targets are not considered to be sufficiently stretching.</p> <p>Against if discretionary payments have been made and are without proper justification by the Company.</p> <p>Against for plans with less than 3 year vesting.</p> <p>Against if dilution limits exceed recommended best practice of 10% in 10 years for all schemes.</p>
<p>Share Issuances/Capital Structure (M0329/M0331/M0300s)</p>	<p>Vote for proposals to increase the number of authorized common shares where the primary purpose of the increase is to issue shares in connection with a transaction on the same ballot that warrants support.</p>	<p>- In line with ISS.</p>

	<p>Vote against proposals at companies with more than one class of common stock to increase the number of authorized shares of the class of common stock that has superior voting rights.</p> <p>Vote against proposals to increase the number of authorized common shares if a vote for a reverse stock split on the same ballot is warranted despite the fact that the authorized shares would not be reduced proportionally.</p> <p>Vote case-by-case on all other proposals to increase the number of shares of common stock authorized for issuance. Take into account company-specific factors that include, at a minimum, the following:</p> <ul style="list-style-type: none"> › Past Board Performance: › The company's use of authorized shares during the last three years; › The Current Request: › Disclosure in the proxy statement of the specific purposes of the proposed increase; › Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request; and › The dilutive impact of the request. 	
<p>Organisational/Structure /M&A (M0400s)</p>	<p>We will evaluate on a case-by-case basis on all Company structure related items including reorganisations, mergers, acquisitions, related party transactions and any bid waivers.</p>	<p>Refer for internal consideration on all M04XX codes.</p>
<p>Article Amendments (M0106,M0122, M0126)</p>	<p>We will consider on a case-by-case basis article amendments proposed. Should the articles be deemed to undermine shareholder rights, we will withhold support.</p>	<p>Against if articles undermine shareholder rights or unfavourably change the board structure.</p>

<p>Political Contributions</p>	<p>Generally vote for proposals requesting greater disclosure of a company's political contributions and trade association spending policies and activities, considering:</p> <ul style="list-style-type: none"> › The company's policies, and management and board oversight related to its direct political contributions and payments to trade associations or other groups that may be used for political purposes; › The company's disclosure regarding its support of, and participation in, trade associations or other groups that may make political contributions; and › Recent significant controversies, fines, or litigation related to the company's political contributions or political activities. 	<p>Against proposals barring a company from making political contributions. Businesses are affected by legislation at the federal, state, and local level; barring political contributions can put the company at a competitive disadvantage.</p> <p>Against proposals to publish in newspapers and other media a company's political contributions. Such publications could present significant cost to the company without providing commensurate value to shareholders.</p>
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Items to be referred for internal consideration:

- Mergers & Acquisitions
- Related Party Transactions
- Mandatory Takeover Bid Waivers
- Reincorporation Proposals
- Shareholder Proposals
- Other non-routine items/controversial items.

Appendix:

Our Definition of Non-Independent Director:

- Significant shareholder (over 3% of Company)
- An employee or pre-executive of the company



- Currently provides professional services to the company
- Has a senior role at one of the Company's advisers
- Relative of executive (or former executive) or senior employee
- Founder/co-founder/member of founding family
- Former executive (five year cooling off period)
- Has been on the board for more than 15 years
- Has had within the last 3 years, a material business relationship with the company
- Conflicting or cross directorship with executive directors or the Chairman of the Company