Liontrust Policy December 2018 – United Kingdom (FTSE 350) and Ireland (ISEQ20) Proxy Voting Guidelines

We actively vote across the UK FTSE 350 and companies listed in Ireland's ISEQ20 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.

This policy forms the basis of vote recommendations for companies listed in the United Kingdom and Ireland. It will also be applied to companies incorporated in other territories such as the Isle of Man, Jersey and Guernsey, and which are either listed in the UK and Ireland or on the Channel Islands Securities Exchange.

FTSE Small Cap and FTSE AIM companies shall adopt the ISS recommended guidelines for smaller companies. One investment team continues to apply the ISS recommendations guidelines for their holdings.

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Voting Issue	Liontrust Policy	Vote Recommendations
Financial Statements and Statutory Reports (M0105)	We may withhold support from the Report & Accounts in certain instances including the following: Where adequate disclosure has not been provided. Where the auditor has emphasised a matter or where the auditor has provided a qualified opinion.	**Against** where adequate disclosure has not been provided (e.g. annual report not disclosed in time). **Abstain** where auditor has emphasised a matter in its opinion. **Against** where the auditor has qualified their opinion

Appointment of Auditors and Auditor Fees (M0101, M0109,M0136)	We hold that the Audit Committee should pay particular attention to the provision of non-audit services by the external auditor. 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.	**Against** if a big 4 auditor and if non-audit fees are more than 33% of audit fees. **Abstain** if big 4 auditor and excessive non-audit fees are more than 33% of audit fees and an adequate explanation is given. **Abstain** if outside big 4 auditors and if non-audit fees are more than £500,000 (or market equivalent) or are more than 33% of audit fees. **Against** if outside big 4 auditors and if excessive non-audit fees of five consecutive years and more than 33% of audit fees. Rotation of auditors: **Abstain** if after 10 years and where the company have indicated that they are in the process of an audit tender with the intention of rotating the audit firm or have stated their intention to rotate their auditor in the upcoming financial year. **Against** after ten years and there is no intention to rotate the Auditor in the upcoming financial year.

Company Boards (M0201) – Director Elections	We expect at least half the board excluding the chairman should comprise Non-Executive Directors determined by the Board to be independent. 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. 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.	**Against** if non-independent NED and Board is less than 50% independent. **Against** if a Director is considered overboarded. Defined as follows: › 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. › 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. When applying this policy, we will consider the nature and scope of the various appointments and the companies concerned, and if any exceptional circumstances exist. A stricter view may apply for directors who serve on the boards of complex companies, those in highly regulated sectors, or directors who chair a number of key committees. CEOs and Chairmen An adverse vote recommendation will not be applied to a director within a company where he/she serves as CEO; instead, any adverse vote recommendations will be applied to his/her additional seats on other company boards. For chairmen, negative recommendations would first be applied towards non-executive positions held but the chair position itself would be targeted where they are being elected as chairman for the first time or, when in aggregate their chair positions are three or more in number, or if the chairman holds an outside executive position.
Director Elections – Chair of Nomination Committee	We may withhold support from the re-election of the Chair of the Nomination Committee: Less than 15% of the board comprised of women Less than 30% of the board comprised of women (but greater than 15%).	**Against** if fewer than 15% of women on the Board. **Abstain** if fewer than 30% of women on the Board (but greater than 15%).

Election of CEO/Chairman	We hold that a Chairman should be an independent non-executive director on appointment. However, once appointed a Chairman will no longer be considered either independent or non-independent. We will take into consideration on a case-by-case basis the election of a former CEO as Chairman or the election of an Executive Chairman. We will vote Against where a Company is seeking the election of a combined CEO and Chairman.	**Against** if a Chairman is being elected for the first time and Chairman is non-independent on appointment. **For** if all subsequent proposals to elect a non-executive Chairman. **Against** if an Executive Chairman unless an adequate explanation is given. **Against** if there is a combined CEO/Chairman.
Audit, Remuneration and Nomination Committees	The **audit** committee should comprise at least three non-executive directors, and all members should be independent. The company chairman should not be a member of the audit committee. The **remuneration** committee should also comprise at least three non-executive directors and again, all members should be independent. In addition, the company chairman may also be a member, but not chair, of the remuneration committee if he or she was considered independent on appointment as chairman. A majority of the **nomination** committee should consist of independent non-executive directors.	**Against** if non-independent NED on Audit or Remuneration Committee. **Against** if an Executive Director on Audit or Remuneration Committee. **Against** if the nomination committee consists of less than 50% independent non-executive directors.

Share Plans (M0501, M0503, M0507, M0509)	For all Executive Share Plans we hold that performance targets should be applied, should be disclosed, should be sufficiently stretching and should be sufficiently long term.	**Against** for Share Plans where performance targets are not applied/disclosed. **Against** for Share Plans where performance targets are not considered to be sufficiently stretching (to be implemented in line with ISS).

	An appropriate level of awards should be vested for threshold/median performance. The dilutive effects of share plans should adhere to recommended guidelines.	**Against** for plans with less than 3 year vesting. **Against** for plans where > 30% of awards vests for median/threshold performance **Against** if dilution limits exceed recommended best practice of 10% in 10 years for all schemes and 5% in 10 years for executive schemes (internal limit). Otherwise, with ISS.

Remuneration Report (M0550) / Remuneration Policy	We determine the vote on the Remuneration Report in the context of overall levels of remuneration. Adhering to best practice guidelines, we will consider carefully where the highest paid Director's salary is above upper quartile for the index, where there are significant concerns over quantum of pay or where significant increases in salary have been granted without a clear justification. In line with our policy on Share Plans performance targets should be disclosed (for both short and long term incentives) and be sufficiently stretching. Appropriate vesting levels are expected and the dilution of share schemes should adhere to recommended guidelines. We will vote in line with ISS, if companies adopt a restricted share element to their executive pay structures, usually replacing more traditional long-term incentive plans (LTIPS).	- Poor disclosure **Abstain** if base pay for the CEO/highest paid director is above upper quartile for the index without appropriate justification. **Against** if there are concerns over quantum/increase in base pay (>10%) without appropriate justification. **Against** share plans/annual bonus where performance targets are not applied/disclosed. **Against** for Share Plans where performance targets are not considered to be sufficiently stretching **Against** if plans are > 30% of awards vested for median/threshold performance or vest < 3 years. - If ISS voting against use explanation.

		Against the election of the chair of the remuneration committee in the event of serious issues being identified.

Share Issuances/Capital Structure (M0329/M0331/M0300s)	We will vote in line with recommended best practice on general share issuance requests and will consider on a case-by-case basis for specific requests. In line with the Pre-Emption Group Principles, the routine authority to disapply pre-emption rights should not exceed more than 5 percent of ordinary share capital in any one year, with an overall limit of 7.5 percent in any rolling three-year period. Companies can seek shareholder approval for an authority up to 10 percent, provided that any amount in excess of the standard 5 percent is to be used only for purposes of an acquisition or a specified capital investment.	Against if the aggregate issue with preemptive rights exceeds 66.6 percent of the issued share capital (33.3 percent for general issue and 33.3 percent for rights issue). **Against** if the routine authority to disapply preemption rights exceeds 10 percent of the issued share capital, **or if** the amount above 5 percent is not used for the purposes of an acquisition or a specified capital investment.

Organisational/Structure /M&A (M0400s)	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.	Refer

Political Donations (M0163)	We do not support the paying of political donations however we will support the payment of approved political donations only under circumstances used to comply with EU regulation.	**Against** resolutions to provide for the company to be able to pay political donations if political donations have been made or duration is greater than 15 months.

Fix Maximum Variable Compensation Ratio (M0571)	We will consider on a case-by-case basis remuneration policies in the overall context of executive pay.	**Against** resolutions which breach local best practice.

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 1% of Company)
- An employee or 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 9 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