

Sustainable Future Fund Policy – FTSE 350 & FTSE Small Cap

We actively vote across the UK FTSE 350 & FTSE Small Cap markets 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.

Voting Issue	Sustainable Future Fund Policy	Vote Recommendations
Financial Statements and Statutory Reports (M0105)	<p>We may withhold support from the Report & Accounts in certain instances including the following:</p> <p>Political donations have been made during the year.</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>Abstain if political donations have been made to a political party during the year.</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>
Appointment of Auditors and Auditor Fees (M0101, M0109, M0136)	<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 25% of audit fees.</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 100% of audit fees.</p> <p>Abstain if excessive non-audit fees are more than 25% of audit fees and an adequate explanation is given.</p> <p>Against if non-audit fees of five consecutive years and more than 25% of audit fees.</p> <p>Rotation of auditors: Abstain after five years of continuous service. Against after ten years.</p>

<p>Company Boards (M0201) – Director Elections</p>	<p>We expect the majority of a Board to consist of independent directors.</p> <p>For FTSE Small Caps we seek to ensure that there is appropriate independent non-executive director representation on the Board.</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.</p>	<p>Against if non-independent NED and board is less than 50% independent.</p> <p>Against if non-independent NED and there are fewer than 3 independent directors.</p> <p>Against if a director sits on 5 or more external boards.</p>
<p>Election of CEO/Chairman</p>	<p>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.</p> <p>We will take into consideration on a case-by-case basis the election of a former CEO as Chairman or the election of a non-independent or Executive Chairman.</p> <p>We will vote on a case-by-case basis where a Company is seeking the election of a combined CEO and Chairman.</p>	<p>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 Chairman.</p> <p>Against if an Executive Chairman unless an adequate explanation is given.</p> <p>Against if there is a combined CEO/Chairman.</p>
<p>Audit and Remuneration Committees</p>	<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>
<p>Share Plans (M0501, M0503, M0507, M0509)</p>	<p>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.</p> <p>An appropriate level of awards should be vested for threshold/median performance.</p> <p>The dilutive effects of share plans should adhere to recommended guidelines.</p>	<p>Against for Share Plans where performance targets are not applied/disclosed/stretching.</p> <p>Against for plans with less than 3 year vesting. Against for plans where > 30% of awards vests for median/threshold performance</p> <p>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).</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 where the highest paid</p>	<p>Abstain if base pay for the CEO/highest paid director is above upper quartile for the index without appropriate justification.</p> <p>Against if there are concerns over quantum/increase in base pay (>10%) without appropriate justification.</p>

	<p>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.</p> <p>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.</p>	<p>Against share plans/annual bonus where performance targets are not applied/disclosed/stretching.</p> <p>Against if plans are > 30% of awards vested for median/threshold performance or vest < 3 years.</p> <p>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).</p>
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.	<p>Against if issue with pre-emptive rights (one-third of Company's Issued Share Capital (ISC) for general issuance and one-third for rights issue). Together not > 66% of ISC.</p> <p>Against if issue without pre-emptive rights is not > 5% of ISC.</p>
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.	
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.

Appendix:

Our Definition of Non-Independent Director:

- Significant shareholder (over 3% 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