Liontrust Policy – Europe Proxy Voting Guidelines

The policy applies, as far as appropriate, to all European markets[1] (excluding those in the UK, Ireland and UK tax Havens) for all main index companies 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.

Main index companies are determined based on their membership in a major index and/or the number of ISS clients holding the securities. For Sweden, Norway, Denmark, Finland, and Luxembourg, this is based on membership on a local blue chip market index and/or MSCI EAFE companies. For Portugal, it is based on membership in the PSI-20 and/or MSCI EAFE index.

* 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.

[1] Austria, Belgium, Bulgaria, Croatia, the Czech Republic, Cyprus, Denmark, Estonia, the Faroe Islands, Finland, France, Germany, Greece, Greenland, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Slovakia, Slovenia, Sweden, and Switzerland.

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 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 non-audit fees of five consecutive years and more than 33% of audit fees. **Abstain** if excessive non-audit fees are more than 33% of audit fees and an adequate explanation is given.

	We will take into consideration on a case-by-case basis the circumstances where there are serious concerns about the effectiveness of the auditors; the auditors are being changed without explanation; or the lead audit partner(s) has been linked with a significant auditing controversy.	Rotation of auditors[2]: **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. **Abstain** if there are serious concerns about the effectiveness of the auditors; the auditors are being changed without explanation; or the lead audit partner(s) has been linked with a significant auditing controversy.

Company Boards (M0201) – Director Elections	We hold that for companies in the main index we expect the majority of a Board to consist of independent directors. We will vote against non-independent directors if a majority of the board is not independent.	**Against** if non-independent NED and board is less than 50% independent.
	For companies outside of the main market index, we seek to ensure that there is appropriate independent non-executive director and representation on the Board and would look for a board that is one third independent. Similarly, for companies which require employee representatives on the Board, we look to ensure that at least one-third of the Board comprises of independent directors.	**Against** if non-independent NED and board is less than one-third independent.
	We consider that companies should provide shareholders the opportunity to vote for	**Abstain** if bundled election and board majority independent**.**

[2] Implementation note: In case no information provided / disclosed on the rotation of auditors and the Company has retained the same audit firm in excess of ten years, vote Against.

	candidates on an individual basis and the use of bundled elections for directors is behind best practice. For *voto di lista* (similar to slate elections) where lists are published in sufficient time, we will recommend a vote on a case-by-case basis, determining which list of nominees it considers is best suited to add value for shareholders. 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 Chairship 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 Chair at a different company will be classified as overboarded. We will consider recommending a vote against the re-election of individual directors for:	**Against** if bundled election and board < majority independent**.** In line with ISS[i]. **Against** if a Director is considered overboarded. To be applied: In Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, and Switzerland, at widely-held companies, vote against a candidate when s/he holds an excessive number of board appointments, codes, as defined by the following guidelines: › 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 Chairship 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 Chair at a different company will be classified as overboarded. CEOs and Chair 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 Chair, negative recommendations would first be applied towards non-executive positions held, but the Chairship position itself would be targeted where they are being elected as Chair for the first time or, when in aggregate their chair positions are three or more in number, or if the Chair holds an outside executive position. **Abstain** if there are serious concerns of

	› Material failures of governance, stewardship, or risk oversight; or ›Egregious actions related to the director(s)'service on other boards that raise substantial doubt about that individual's ability to effectively oversee management and to serve the best interests of shareholders at any company.	› Material failures of governance, stewardship, or risk oversight; or › Egregious actions related to the director(s)'service on other boards that raise substantial doubt about that individual's ability to effectively oversee management and to serve the best interests of shareholders at any company.
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%). Where there is a regulatory requirement in a country for a particular percentage of women on boards.[ii]	**Against** if fewer than 15% of women on the Board. **Abstain** if fewer than 30% of women on the Board (but greater than 15%). **Against** where the company does not adhere to the regulatory requirement for a particular percentage of women on boards[3].
Election of CEO/Chair	We hold that a Chair should be an independent non-executive director on appointment. However, once appointed a Chair 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 Chair or the election of an Executive Chair. We will vote Against where a Company is seeking the election of a combined CEO and Chair.	**Against** if a Chair is being elected for the first time and Chair is non-independent on appointment. **For** if all subsequent proposals to elect a non-executive Chair. **Against** if an Executive Chair unless an adequate explanation is given. **Against** if there is a combined CEO/Chair.

[3] Please refer to 'European Quotas' (at the end of this document): Austria (35%), Belgium (33%), France (40%), Germany (30%), Italy (33.3%), Netherlands (30%), Norway (40%) and Portugal (33.3%). Only to be applied to ISS Core Companies + Companies with market cap = or > 3.5bn.

Term of Office	Director terms should not exceed more than three terms as we feel that longer terms of office reduce director accountability to shareholders.	**Abstain** if 4 a year term of office. **Against** if a 5 year term of office.
Audit and Remuneration Committees	We will vote against any non-independent Director sitting on the Audit or Remuneration Committee. For companies with employee representation on the Board, we expect the majority of the Audit and Remuneration Committees to consist of independent directors (excluding employee representatives from the calculation, whose board membership is required by local law, and are not elected by shareholders).	**Against** if non-independent NED on Audit or Remuneration Committee. **Against** if an Executive Director on Audit or Remuneration Committee. In line with ISS.

***Remuneration Report (M0550) / Remuneration Policy* (M0570)/ Share Plans (M0501, M0503, M0507, M0509)**	We shall all vote in line with ISS where management proposals seeking ratification of a company's executive compensation-related items on a case-by-case basis, and where relevant, will take into account the European Pay for Performance Model [iii] outcomes within a qualitative review of a company's remuneration practices. ISS will generally recommend a vote against a company's compensation-related proposal if such proposal fails to comply with one or a combination of several of the global principles and their corresponding rules to: >Provide shareholders with clear and comprehensive compensation disclosures; >Maintain appropriate pay structure with emphasis on long-term shareholder value; >Avoid arrangements that risk "pay for failure"; >Maintain an independent and effective compensation committee.	- If ISS voting against use explanation.

	For equity based compensation proposals for employees, the volume of awards transferred to participants must not be excessive: the potential volume of fully diluted issued share capital from equity-based compensation plans must not exceed the ISS guideline. Vote against stock option plans in Denmark, Finland, Norway, and Sweden if evidence is found that they contain provisions that may result in a dis-connect between shareholder value and employee/executive reward. The dilution of the plan when combined with the dilution from any other proposed or outstanding employee stock purchase/stock matching plans, must comply with ISS' guidelines. We hold the Chair of the Remuneration Committee responsible for the oversight of the remuneration report, and may vote against their re-election in the event of serious issues being identified.	- If ISS voting against use explanation. - If ISS voting against use explanation. - If ISS voting against use explanation. Against the election of the chair of the remuneration committee in the event of serious issues being identified. Otherwise, apply ISS recommended guidelines

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.	Against if issue with pre-emptive rights exceeds more than 50% of the currently issued share capital. Against if issuance of shares without pre-emptive rights exceeds more than 10% of the currently issued share capital.

Organisational/Structure /M&A (M0400s)	We will evaluate on a case-by-case basis on all Company structure related items including	Refer

	reorganisations, mergers, acquisitions, related party transactions and any bid waivers.	

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.

Article Amendments (M0106,M0122, M0126)	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.	**Against** if articles undermine shareholder rights or unfavourably change the board structure.
Political Donations	We will generally vote for the resolution to authorize EU political donations and expenditure, we will withhold support if : › The company made explicit donations to political parties or election candidates during the year under review; › The duration of the authority sought exceeds one year and the company has not clarified that separate authorisation will be sought at the following AGM should the authority be used; or › No cap is set on the level of donations.	**Against** if the company made explicit donations to political parties or election candidates during the year under review **Against** if the duration of the authority sought exceeds one year and the company has not clarified that separate authorisation will be sought at the following AGM should the authority be used. **Against** if no cap is set on the level of donations.
Approve Special Auditors' Report Regarding Related-Party Transactions (France) (M0123)	We will consider on a case-by-case basis related part transactions taking into consideration disclosure and transparency around arrangements and the performance targets attached to any severance pay arrangement. We will consider carefully any transaction with potentially significant conflicts of interest.	**Against** related party transactions which lack disclosure, or which have potentially significant conflicts of interest (in line with ISS).

Items to be referred for internal consideration:

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

Votes regarding global warming and the environment :

Liontrust investment teams will vote their proxies in line with their investment processes. Liontrust supports the Net Zero Asset Managers' Initiative and aims to attain net zero across its funds by 2050. As such, each investment team will, in the context of its investment process, vote as it sees fit regarding proxy votes on an investee company's net zero plans or strategy or any other climate-related issue. Where Liontrust deem corporate disclosures and/or management actions on climate change to be insufficient or the company fails to be proactive in communicating their strategy for reducing carbon emissions, Liontrust investment team(s) may withhold support from the re-election of directors or other related proposals, if this falls in line with the team(s) investment process.

Appendix:

Liontrust endeavours to ensure that our policy adheres, where recommended, to local corporate governance codes or established by local best practice.

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 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 Chair of the Company

[i] Where voting in line with ISS guidelines please refer to their policy https://www.issgovernance.com/file/policy/active/emea/Europe-Voting-Guidelines.pdf

[ii] **European Quotas**

Austria - 35% quota since Jan 2018.

Belgium - 33.3% quota since Jan 2017 (Jan 2019 for small companies/controlled companies). Non-compliance with the quota is sanctioned by the suspension of benefits (financial or otherwise) for members of the board of directors.

France - 40% quota since Jan 2017. The quota applies to companies listed on a regulated market and "large companies" - the law states if the company fails to comply, appointments that are not in line with the quota are immediately nullified.

Germany - 30% since 2016. The quota is comes into effect from January 2016 and is applicable to listed companies with full employee co-determination (i.e. where 50% of supervisory board members must be employee representatives by law). Approx. 110 companies in total. It applies to the entire supervisory board by default (i.e. both the shareholder and employee benches). Either side can opt out and require that both benches fulfil the quota individually. If company is not fulfilling the quota, elections that are in breach of the quota may be legally challenged and nullified

Italy - 33.3% quota since 2015. Note that board terms are generally three years in Italy. The quota is applicable to management boards and supervisory boards (i.e. executives and non-executives). Non-compliance results in a warning in the first instance, followed by financial sanctions and, in the case of continued non-compliance, the potential dissolution of the board.

Netherlands - The Netherlands requires public companies with more than 250 employees to have female directors for 30% of the board seats. In 2019 a government policy advisory group proposed that the top 100 Dutch listed companies should be forced to make 30% of positions on their supervisory boards available for female candidates.

Norway - Quota is typically 40% (depends on board size). The quota depends on the size of the board, though point four is cited most often: (1) If the board of directors has two or three members, both sexes shall be represented; (2) If the board of directors has four or five members, each sex shall be represented by at least two members (3) If the board of directors has six to eight members, each sex shall be represented by at least three members; (4) If the board of directors has nine members, each sex shall be represented by at least four members, and if the board of directors has more members, each sex shall represent at least 40 percent of the members of the board.

Portugal - 33.3% quota since Jan 2020**.** Public sector companies should have at least one third of women in their administrative and supervisory bodies starting on January 1, 2018. In listed companies in the Stock Market**,** this proportion "cannot be lower than 20%" after the first elective general assembly on January 1, 2018, and one third (33.3%) from January 2020 onward.

[iii] **ISS Definition of Pay-for-Performance Evaluation:**

ISS annually conducts a pay-for-performance analysis to measure alignment between pay and performance over a sustained period. With respect to companies in the European Main Indices, this analysis considers the following:

- ▪ Peer Group Alignment:

  ✓ The degree of alignment between the company's annualised TSR rank and the CEO's annualised total pay rank within a peer group, each measured over a three-year period.

  ✓ The multiple of the CEO's total pay relative to the peer group median.
- ▪ Absolute Alignment: The absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years – i.e., the difference between the trend in annual pay changes and the trend in annualised TSR during the period The bonus received and/or the proportion of the LTIP which vested was a fair reflection of the performance achieved;

  › Performance targets are measured over an appropriate period and are sufficiently stretching; › Targets for the bonus or the LTIP are disclosed in an appropriate level of detail;

  › Any exit payments to good leavers were reasonable, with appropriate pro-rating (if any) applied to outstanding long-term share awards;

  › Any special arrangements for new joiners were in line with good market practice;

  › The remuneration committee exercised discretion appropriately; and

  › There are no issues in the report which would be of concern to shareholders.

Where the report contains multiple areas of non-compliance with good practice, the vote recommendation will reflect the severity of the issues identified. A small number of minor breaches may still result in an overall recommendation of a “For”, whereas a single, serious deviation may be sufficient to justify an ‘Against” vote recommendation.