

Liontrust Policy – United Kingdom (FTSE Small Cap and) Proxy Voting Guidelines

We vote across the UK FTSE AIM and small cap companies 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, the UK corporate governance model operates 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 large holdings are prioritised in this regard.

This policy forms the basis of vote recommendations for FTSE AIM and small cap companies.

Voting Issue	Liontrust Policy	Vote Recommendations
<p>Financial Statements and Statutory Reports (M0105)</p>	<p>We may withhold support from the Report & Accounts in certain instances including the following:</p> <p>Where adequate disclosure has not been provided.</p> <p>Where the auditor has emphasised a matter or where the auditor has provided a qualified opinion.</p> <p>In cases where votes are not held on remuneration reports or the reelection of directors and an issue has been identified as outlined below. E.g., if the board has non independent NEDs on the remuneration and / audit committee, we will vote against the financial statements and statutory reports to signal concern.</p> <p>We may afford companies a grace period if they are newly listed, however we expect companies to adhere to best practice independence on the board – and in populating board committees as soon as practicable.</p>	<p>Against where adequate disclosure has not been provided (e.g. annual report not disclosed in time).</p> <p>Abstain where auditor has emphasised a matter in its opinion.</p> <p>Against where the auditor has qualified their opinion.</p> <p>Against where a company does not adhere to an expected governance standard, but the relevant item is not put to vote.</p>
<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 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) or are more than 33% of audit fees.</p> <p>Against if outside big 4 auditors and if excessive non-audit fees of five consecutive years and more than 33% of audit fees.</p>

	<p>For Auditor rotation, we shall vote in line with ISS.</p> <p>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.</p>	<p>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.</p>
<p>Company Boards (M0201) – Director Elections</p>	<p>We expect at least two members of the board (for AIM companies) and half the board (for small cap companies), excluding the Chair to be independent Non-Executive Directors (NEDs). We expect the remuneration and audit committees to comprise only of independent NEDs.</p> <p>There may be occasions when we support an individual remaining on the board as a Chair/NED due to their shareholding and importance to the business. While we may support that individual being on the board, we expect other safeguards to be in place – the appointment of a SID, the audit or remuneration committee comprising only independent members and that there is an adequate number of independent directors on the board.</p> <p>In making board appointments we encourage companies to consider gender, ethnic and other forms of diversity.</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 NEDs sit on the audit or remuneration committee.</p> <p>Against if a board does not comprise enough independent directors.</p> <p>Against if a Director is considered overboarded.</p> <p>Defined as follows:</p> <ul style="list-style-type: none"> › 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.

	<p>We will consider recommending a vote against the re-election of individual directors for:</p> <ul style="list-style-type: none"> › 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. 	<p>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.</p> <p>CEO and Chairs 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.</p> <p>For Chair, 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 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.</p> <p>Abstain if there are serious concerns of</p> <ul style="list-style-type: none"> › 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.
<p>Director Elections – Chair of Nomination Committee – Diversity – Gender</p>	<p>We will withhold support from the re-election of the Chair of the Nomination Committee in cases where companies do not have at minimum one woman on the board for FTSE SmallCap, ISEQ 20, Listed on AIM with a market capitalisation of over GBP 500 million</p> <p>Liontrust encourages all companies to consider diversity in its widest sense when making board appointments.</p> <p>Mitigating factors include:</p> <ul style="list-style-type: none"> ▪ Compliance with the relevant board diversity standard at the preceding AGM and a firm 	<p>Against where there are no women on the board for FTSE SmallCap, ISEQ 20, Listed on AIM with a market capitalisation of over GBP 500 million.</p>

	<p>commitment, publicly available, to comply with the relevant standard within a year.</p> <ul style="list-style-type: none"> ▪ Other relevant factors as applicable. 	
Election of CEO/Chair	<p>It is considered good practice for the Chair to be independent upon appointment. However, once appointed a Chair is no longer be considered independent.</p> <p>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. This is especially the case where a former CEO is a founder with a significant shareholding. However, in such cases we expect the company to have clear delineation between the roles of Chair and CEO. We also expect such companies to appoint a Senior Independent Director (SID), have a majority of independent directors on the board and for the remuneration or audit committees to be comprised only of independent NEDs.</p> <p>We will consider the re-election of the chair on a case-by-case basis, taking into account such factors as succession planning, diversity, and board independence, in addition to tenure.</p> <p>We will vote Against where a Company is seeking the election of a combined CEO and Chair.</p>	<p>Against if a Chair is being elected for the first time and Chair is non-independent on appointment unless an <u>adequate explanation</u> is given and the necessary safeguards put in place.</p> <p>Against if an Executive Chair is being appointed unless an <u>adequate explanation</u> is given.</p> <p>Against if there is a combined CEO/Chair.</p>
Audit, Remuneration and Nomination Committees	<p>The audit committee should comprise of independent members. The Chair should not be a member of the audit committee.</p> <p>The remuneration committee should also comprise of independent non-executive directors. In addition, the</p>	<p>Against if non-independent NEDs sit on audit or remuneration committee.</p> <p>Against if an Executive Director on Audit or Remuneration Committee.</p>

	Chair may also be a member, but not chair, of the remuneration committee if he or she was considered independent on appointment as Chair.	
Share Plans (M0501, M0503, M0507, M0509)	Apply ISS guidelines	Against – where ISS Vote Against Abstain – where ISS Vote Abstain
Remuneration Report (M0550) / Remuneration Policy	Apply ISS guidelines Investee companies should see Liontrust’s paper on ‘Expectations of Investee’s Remuneration Policy.’	Against – where ISS Vote Against Abstain – where ISS Vote Abstain
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	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.

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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.

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.

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 Chair of the Company