

# Liontrust Voting Policy – US & Canada

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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
<b>Appointment of Auditors and Auditor Fees (M0101, M0109,M0136)</b>	<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>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><b>Against</b> if a big 4 auditor and if non-audit fees are more than 33% of audit fees.</p> <p><b>Abstain</b> 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><b>Abstain</b> 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><b>Against</b> if outside big 4 and if non-audit fees of five consecutive years and more than 33% of audit fees.</p> <p><b>Against</b> if auditor tenure &gt; 15 years.</p> <p><b>Abstain</b> 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>
<b>Company Boards (M0201) – Director Elections/Chair</b>	<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</p>	<p><b>Against</b> if non-independent director and the board are less than 50% independent.</p> <p><b>Against</b> if a Director is considered overboarded.</p>

(USA) <sup>1</sup>	<p>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.</p> <p>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> <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>We will consider abstaining on the re-election of individual directors for:</p> <ul style="list-style-type: none"> <li>› Material failures of governance, stewardship, or risk oversight; or</li> <li>› 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.</li> </ul>	<p>Defined as follows:</p> <p>Individual directors who:</p> <ul style="list-style-type: none"> <li>› Sit on more than five public company boards; or</li> <li>› 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.</li> </ul> <p><b>Against</b> 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"> <li>› Medical issues/illness;</li> <li>› Family emergencies; and</li> <li>› Missing only one meeting (when the total of all meetings is three or fewer).</li> </ul> <p><b>Abstain</b> if there are serious concerns of</p> <ul style="list-style-type: none"> <li>› Material failures of governance, stewardship, or risk oversight; or</li> <li>› 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.</li> </ul>
<b>Director Elections – Chair of Nomination Committee –</b>	<u><b>Gender diversity</b></u>	<u><b>Gender diversity</b></u>

<sup>1</sup> Implementation Note: Vote in line with ISS on Responsiveness and Accountability issues including problematic governance structures in new public companies.

<b>Diversity – Gender &amp; Ethnicity</b>	<p>At Russell 3000 &amp; S&amp;P 1500 companies/ S&amp;P/TSX companies vote against the Chair of the Nomination Committee at Boards which have under 33% women, abstain between 33-40%. Where the company falls outside of one of these indexes, and they don't have at least one woman on the Board, vote against the Chair of the Nomination Committee.</p> <p><b><u>Ethnic Diversity</u></b></p> <p><b>Canada</b> For companies in the S&amp;P/TSX Composite Index, generally vote against or withhold from the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or the Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where:</p> <ul style="list-style-type: none"> <li>▪ The board has no apparent racially or ethnically diverse members.; and</li> <li>▪ The company has not provided a formal, publicly disclosed written commitment to add at least one racially or ethnically diverse director at or prior to the next AGM.</li> </ul> <p>Evaluate on a case-by-case basis whether against/withhold recommendations are warranted for additional directors at companies that fail to meet the policy over two years or more.</p> <p><b>USA</b></p> <p>We will withhold support from the re-election of the Chair of the Nomination Committee:</p>	<p><b>Against</b> if fewer than 33% of women on the Board for indexed companies</p> <p><b>Abstain</b> if female representation is between 33% and 40% for indexed companies</p> <p><b>Against</b> if not at least one woman on the Board for non-indexed companies</p> <p><b><u>Ethnic Diversity</u></b></p> <p><b>Canada</b></p> <p><b>Follow ISS</b></p> <p><b>USA</b></p> <p><b>Against</b> where there are no apparent racially or ethnically diverse directors on the board for Russell 3000 or S&amp;P 1500</p>
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	<p>where there are no apparent racially or ethnically diverse directors on the board for Russell 3000 or S&amp;P 1500</p> <p>where there are no apparent racially or ethnically diverse directors on the board for Russell 3000 or S&amp;P 1500 where mitigating factors apply</p> <p>Mitigating factors include:</p> <ul style="list-style-type: none"> <li>▪ Compliance with the relevant board diversity standard at the preceding AGM and a firm commitment, publicly available, to comply with the relevant standard within a year.</li> </ul>	<b>Abstain</b> where there are no apparent racially or ethnically diverse directors on the board for Russell 3000 or S&P 1500 where mitigating factors apply.
<b>Combined Chair/CEO</b>	We will vote abstain where a Company is seeking the election of a combined CEO and Chair.	<b>Abstain</b> if there is a combined CEO/Chair.
<b>Terms of Office</b>	Director terms should not exceed more than three years as we feel that longer terms of office reduce director accountability to shareholders.	<p><b>Abstain</b> if a 4 year term of office.</p> <p><b>Against</b> if 5 year term or more of office.</p>
<b>Audit and Remuneration Committees</b>	We will vote against any non-independent Director sitting on the Audit or Remuneration Committee.	<p><b>Against</b> if non-independent NED on Audit or Remuneration Committee.</p> <p><b>Against</b> if an Executive Director on Audit or Remuneration Committee.</p>
<b>Share Plans (M0501, M0503, M0507, M050, M0524, M0535)</b>	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.	- In line with ISS. <sup>i</sup>

<b>Remuneration Report (M0550) / Remuneration Policy</b>	We shall vote in line with ISS guidelines to determine our vote in the context of overall levels of remuneration which adhere to best market practice guidelines.	If ISS voting against use explanation.
<b>Share Issuances/Capital Structure (M0329/M0331/M0300s)</b>	<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>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"> <li>› Past Board Performance:</li> <li>› The company's use of authorized shares during the last three years;</li> <li>› The Current Request:</li> <li>› Disclosure in the proxy statement of the specific purposes of the proposed increase;</li> <li>› Disclosure in the proxy statement of specific and severe risks to shareholders of not approving the request; and</li> <li>› The dilutive impact of the request.</li> </ul>	- In line with ISS.

<b>Organisational/Structure /M&amp;A (M0400s)</b>	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.	- In line with ISS.
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<b>Article Amendments (M0106,M0122, M0126)</b>	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.	<b>Against</b> if articles undermine shareholder rights or unfavourably change the board structure.
<b>Political Contributions</b>	<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"> <li>› 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;</li> <li>› The company's disclosure regarding its support of, and participation in, trade associations or other groups that may make political contributions; and</li> <li>› Recent significant controversies, fines, or litigation related to the company's political contributions or political activities.</li> </ul>	<p><b>Against</b> 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><b>Against</b> 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>

**In line with ISS on the topics below – Use ISS rationale:**

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

**Climate Change:** Where Liontrust deem corporate disclosures and/or management actions on climate change risk to be adequately insufficient or the company fails to be proactive in communicating their strategy for reducing carbon emissions, we may withhold support from the re-election of directors or other related proposals.

**Other ESG disclosures:** Where Liontrust deem corporate disclosures and/or management actions on other ESG risk to be adequately insufficient and following failed engagement with management in these specific matters, on the discretion of the fund manager we may withhold support from the re-election of directors or other related proposals.

#### **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
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<sup>i</sup> Where voting in line with ISS guidelines please refer to the following policies:

<https://www.issgovernance.com/file/policy/active/americas/US-Voting-Guidelines.pdf>; <https://www.issgovernance.com/file/policy/active/americas/Canada-TSX-Voting-Guidelines.pdf>