

Liontrust Investment Partners LLP (“Liontrust”) Corporate Governance & Proxy Voting Framework

Liontrust is a long term active fund management company that uses proprietary investment processes to identify and hold companies for our clients for the medium to long term. Our funds’ average investment in a company is a number of years, and many companies have been held for much longer.

Investing in companies over the long term emphasises the need for good governance and stewardship which is an essential part of creating shareholder value. Our primary objective is to deliver investment performance for our clients with appropriate levels of risk and in order to do so we seek a long term understanding of the companies in which we invest.

The fundamental principle of our corporate governance policy is to protect and enhance the economic interests of our clients. In any situation, our actions will always be determined by this principle. We also believe that sustainability or environmental, social and governance (ESG) factors create risks and opportunities for companies and these should be managed appropriately.

This document sets out our Policy, which has been drafted in accordance with the Financial Reporting Council’s Stewardship Code, which Liontrust endorses.

In applying our stewardship policies we work with various industry standards, organisations and initiatives and actively participate in current debates within the industry, promoting the principles of active ownership and responsible investment. Where overseas corporate governance codes are consistent with our overall principles, we will adopt these. At a minimum, we would expect companies to comply with the accepted corporate governance standard in their domestic market or to explain why doing so is not in the interest of shareholders.

Liontrust currently participates in the following external governance-related organisations including the Investment Association, the Pensions and Lifetime Savings Association, UK Sustainable Investment & Finance Association (UKSIF) and the 30% Club Investor Group. Liontrust is a signatory to the United Nations Principles for Responsible Investment (“UNPRI”), Carbon Disclosure Project (CDP) and the UK Stewardship Code.

Scope

This policy covers:

- How we monitor the corporate governance performance of investee companies, engage in dialogue and intervene where appropriate.
- How we carry out proxy voting and exercise voting rights in the best interests of our clients.

Principles

These are the guiding principles by which we have formulated our corporate governance policy:

Accountability:

By raising capital from shareholders, companies commit themselves to earning an investment return on that capital. The board of that company must therefore be accountable to shareholders for the use of their capital.

Shareholders' interests:

Companies and their boards should be structured with appropriate checks and balances to ensure they operate with integrity and in shareholders' long-term interests. Shareholders also have a right to timely and detailed information on the financial performance of the companies in which they invest.

Voting rights:

We believe voting rights are central to the rights of ownership.

Beneficial ownership:

All shareholdings should vote in the economic interest of the underlying shareholders or trust beneficiaries.

Engagement:

Although voting takes place on a number of issues at annual and extraordinary general meetings (AGMs/ EGMs), there are five principal areas that we will address in operating our voting policy:

- Board structure and election of directors.
- Directors remuneration.
- Audit and appointment of auditors.
- Reporting and financial disclosure.
- Technical issues, particularly shares without pre-emption rights.

Best practice

We summarise below what we regard as best practice for the companies in which we invest. This determines how we engage and interact with investee companies and influences how we will cast our votes.

Leadership:

Every company should be headed by an effective board, which is collectively responsible for the long-term success of the company.

There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the business. No one individual should have unfettered decision-making powers.

The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.

As part of their role as members of a unitary board, nonexecutive directors should constructively challenge and help develop proposals on strategy.

Effectiveness:

The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board. All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively. We believe that boards that are diverse are more able to draw on a wide range of skills, competence and diversity of perspectives and are therefore better able to challenge, debate and fulfil their oversight responsibilities, and generate and preserve shareholder value.

All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.

The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

Accountability:

The board should present a balanced and intelligible assessment of the company's position and prospects.

The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.

The board should establish a formal and transparent process to review the company's corporate reporting, risk management and internal control principles.

Remuneration:

Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance. There should be a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding their own remuneration.

Relations with shareholders:

There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. The board should use the AGM to communicate with investors and to encourage dialogue.

Monitoring and engagement:

We believe monitoring and engagement are an essential part of being a shareholder in a company. It allows us to improve our understanding of investee companies and their governance structures so that our voting decisions may be better informed. The materiality and immediacy of a given issue will generally determine the level of our engagement.

To identify areas in which there are governance concerns, we use a range of resources including our own fundamental research. We hold regular meetings with the management of the companies in which we invest to discuss strategy, sustainability and performance, and to review management processes against the principles and best practice outlined above.

At a minimum, we would expect companies to comply with the accepted corporate governance standards in their domestic market or to explain why not doing so is in the interest of shareholders. We believe that well-managed companies will report on material social and environmental risks and opportunities and explain how these are managed. As these are not always voting issues, we may engage directly with company management or the board where we believe there is the potential for a material impact on shareholder returns.

We adopt a case-by-case approach to engaging on material governance, environmental or social issues. We will engage with management in an appropriate manner and make a record of this engagement – this may be by conference call, letter or by seeking access to the board chair person or directors.

Where we believe shareholder value is threatened or is not being realised, we may request that the board takes appropriate action. In most cases, a robust private dialogue with executive management, non-executive directors and company advisors is our preferred way to protect our clients' interests. We will also engage with the chairperson of the board or the senior independent director where appropriate. If we receive an unsatisfactory response, we may liaise with other shareholders to discuss joint intervention or publicly oppose management who refuse to act on our concerns or where appropriate we may sell the shares to protect our clients' assets.

We also aim to participate in collaborative engagement where appropriate. Anyone who wishes to discuss the possibility of collective engagement should please email sinead.lennon@liontrust.co.uk.

Proxy Voting Framework

Liontrust operate a global voting policy currently covering 34 markets, which guides our voting decisions across funds. We strive to be responsible stewards of our clients' assets within a Framework of good governance and transparency. Liontrust recognises that good stewardship means an active engagement in voting, and Liontrust will always actively vote every shareholding where possible.

This policy applies to segregated clients who have delegated responsibility for voting on their holdings to the Liontrust. The primary purpose of an investment company is to create sustainable value for its shareowners. Our custom proxy voting policies are based on best practice globally. Our Policies are updated at least annually, taking into account emerging issues and trends, the evolution of market standards and regulatory changes. The policies considers market-specific recommended best practices, transparency and disclosure when addressing issues such as board structure, director accountability, corporate governance standards, executive compensation, shareholder rights, corporate transactions and social/environmental issues.

We assess voting matters on a case-by-case basis, taking into account a company's circumstances, although we are guided by our overarching principles on good corporate governance. We recognise that regulatory frameworks vary across markets and corporate governance practices vary internationally so we will normally vote on specific issues in line with the proxy guidelines for the relevant market. Where a proposal is inconsistent with our principles and guidelines, we will consider voting against the proposal.

We take a proportional approach to governance expectations and therefore we have put in place guidelines broken down by geographic region and market cap size. We recognise that a major global oil company should be held to a different standard to a small emerging market company although all companies are encouraged to follow the highest standards. While this document discusses our general approach to voting, to understand the entire framework it should be read in conjunction with the specific region / market cap size custom voting policies listed below, which are publicly available on our website <https://www.liontrust.co.uk/investor-relations/Governance/governance-policies> :

- UK (FTSE 350) & Ireland (ISEQ20) Companies
- Europe excl. UK & Ireland
- US & Canada
- Rest of the World [Australia, Brazil, Cayman Islands, Hong Kong, India, Israel, Japan, Korea, Latin America, Malaysia, New Zealand, Philippines, Russia, Singapore, South Africa, South America, Taiwan, Thailand].

Exceptions apply for Small Global Capitalised Companies including FTSE Small Cap and below/FTSE AIM and one of our investment teams who vote in line with the relevant ISS benchmark policy. However, appropriate alerts are applied to notify if there is a Special/Court meeting to ensure that the team are consulted on the following proposals if there is a vote referring to:

- a. Mergers & Acquisitions
- b. Related Party Transactions
- c. Mandatory Takeover Bid Waivers
- d. Reincorporation Proposals
- e. Shareholder Proposals
- f. Other non-routine items/controversial items.

In addition to the principles outlined above, other issues that may be relevant in our consideration of company practice and proxy voting decisions include:

Capital Structure, Reorganization and Mergers:

The ability to raise capital as necessary is critical for companies to be able to carry out their strategy, whether it is to grow, to reduce debt or to refinance the capital structure. The approval of capital raising activities is fundamental to a shareholder's ability to monitor a company's strategy, its implementation and to ensure capital is deployed efficiently. Altering the capital structure of a company is a decision for boards and in making such a decision, Liontrust believes the company should have a well explained business rationale that is consistent with corporate strategy and not overly dilutive to its shareholders.

Mergers or reorganizing the structure of a company often involve proposals relating to reincorporation, restructurings, liquidations, and other major changes to the corporation.

Proposals that are in the best interests of shareholders, demonstrated by enhancing share value or improving the effectiveness or efficiency of the company's operations, will be supported. In evaluating mergers, acquisitions or restructurings, Liontrust considers the impact of the changes to maximize shareholder value whilst ensuring corporate governance provisions for shareholders are not unduly impacted.

Occasionally, companies add anti-takeover provisions that reduce the chances of a potential acquirer making an offer, or reducing the likelihood of a successful offer. Ordinarily, Liontrust does not support proposals that reduce shareholders' rights, entrench management or reduce the likelihood of shareholder's right to vote on reasonable offers.

Shareholder Resolutions:

Shareholder resolutions encompass a wide range of issues. We assess shareholder resolutions in light of good practice, their materiality and relevance to our approach and investment concerns.

We will consider supporting non-binding shareholder resolutions where the broad purpose of the proposal is aligned with our policy views, addresses an area where improvement would be welcome. For binding resolutions the proposal must be proportionate, in shareholder interests, focused on improving the reputation and quality of a company's operations and practices, as well as being aligned with our policy objectives and best practice.

How we signal dissatisfaction with company governance:

Many Governance issues are not subject to a vote at an AGM or EGM. In order to signal our dissatisfaction with these governance areas we will consider abstaining or voting against the management in several ways (these are not mutually exclusive):

- Voting on annual report and accounts – We may abstain or vote against the annual report and accounts where we have identified serious concerns over lack of disclosure or poor quality of reporting on governance, environmental and social issues.
- Voting on directors – Where significant issues or controversies have arisen, we may abstain or vote against the re-election of relevant directors or, where applicable, the discharge of the board(s).

We expect companies to be fully transparent and to adhere to best practice in producing information on votes and in related activities. All proposals should have adequate information available to enable an informed decision. Proposals should not limit or reduce shareholder rights and should ensure equal treatment of all shareholders.

Responsibilities

We endeavour to vote on all AGM's/EGM's across all investment teams where feasible. This process is managed and overseen by the Governance & Stewardship Manager ("**G&S Manager**")

There may be situations where we will refrain from voting, mainly in a share blocking market and where we are in the process of selling the holding.

Liontrust uses the services of a third party voting administrator who will update us of any upcoming votes for any of our holdings. They will then provide us with information on the different proposals and whether they comply with our agreed voting policy.

The general process is outlined below:

- 1) The voting administrator will provide the G&S Manager with details of an upcoming vote and whether any of the proposals are outside of our standard voting policy.
- 2) The G&S Manager will review the details and will provide a summary of the proposals including any relevant benchmark and custom research to the fund managers who hold the position, where appropriate. This will include a summary of the planned action for each vote, highlighting in particular any instance where the vote will be against management.
- 3) The fund manager can review the voting instructions and if they wish to change the vote they must inform the G&S Manager on a timely basis including the rationale behind the change.
- 4) Careful consideration will be given to the % holding of the company in the relevant LT fund. Should it be a significant holding or a controversial issue and the guidance is to vote against the management then the relevant fund manager will be made aware of recommended guideline. Should they wish refute the custom policy recommendation a rationale will be required for this.
- 5) Meetings will be voted automatically along the standard voting policy except where an instruction has been received as per 3) above.
- 6) Where there are corporate action proposals, such as a merger or acquisition that is not covered by the standard voting policy then the relevant fund manager(s) will be asked for their instruction on how to vote, a rationale will be required should the instruction refute the custom policy recommendation.

Governance and Review of voting policies:

The Corporate Governance & Voting Framework and custom voting policies are subject to an annual review which is managed by the G&S Manager. The annual review will include a list of proposed changes to the policies based upon new governance codes, updates or changes to best practice as well as a review of the significant voting issues over the previous twelve months.

The final proposal is considered by relevant fund management teams at a review meeting before being reviewed by the Liontrust Management Committee.

Each team is provided with a quarterly voting report which details all voting activity and highlights where voting was against the management and any deviations from the standard voting policy.

Conflicts of interest:

Liontrust is committed to maintaining appropriate arrangements to identify, manage and mitigate actual and potential conflicts of interest, with the objective of ensuring that our shareholders and clients are not adversely affected. It is our duty to act in the best interests of our shareholders and clients in the conduct of our investment business, including when engaging with investee companies

and exercising our rights as shareholders. A detailed conflicts of interest procedure document covers aims to ensure that any conflicts of interest that may arise are identified, managed, and mitigated. A copy of our Conflicts of Interest policy can be found at <http://www.liontrust.co.uk>

Treating Customers Fairly is central to the core values of Liontrust. There is an embedded culture that understands what acceptable and unacceptable behaviour is. There may occasionally arise a conflict of interest, or a perceived conflict of interest, between Liontrust and a company in relation to voting. This may occur, for example, if funds controlled and voted by Liontrust have a significant interest in a company who is also a significant client of Liontrust.

Fund managers are responsible for disclosing any potential conflicts of interest relating to a proxy vote. The G&S Manager is responsible for vote execution and for monitoring the vote implementation, ISS is responsible for casting these votes in line with the specific instructions issued by the G&S Manager.

In determining whether to refer a proxy vote, the G&S Manager will work with our Compliance department to consider whether a material conflict of interest exists between the interests of our client and those of Liontrust and will manage these in line with our policy

Share blocking:

Proxy voting in certain countries requires 'share blocking'. This means that shareholders wishing to vote via their proxies must deposit their shares shortly before the date of the meeting (usually one week) with a designated depository. During this blocking period, shares that will be voted on at the meeting cannot be sold until the meeting has taken place and the shares are returned to the shareholders' custodian banks. We believe that the value of exercising the vote usually outweighs the detriment of not being able to transact in the shares during this period. Accordingly, if share blocking is required, we will typically vote a prudent proportion of shares.

Stock Lending:

Where Liontrust believe it is in the best interests of clients, or where requested by clients, the shareholdings managed by Liontrust may be loaned. If stock has been loaned, then the voting rights are given up and it would be necessary to recall the loaned stock in order to vote it. Where stock is on loan ahead of a general meeting or corporate action, a stock recall may be requested by fund managers or by the G&S Manager, where that is in the best interests of our clients (e.g. on significant controversial issues or to protect their interests).

Liontrust will typically only recall stock for voting where Liontrust believe the benefits of voting the stock clearly outweigh the benefits of the loan to the client, this will include a consideration of the materiality of the vote and the likelihood of affecting the outcome.

Proxy voting reporting

As part of our stewardship obligations, in regular performance review meetings with our clients, we advise them on how we have discharged our stewardship responsibilities during the period under review. The format of the reporting and the information provided is dependent on each client's requirements. Liontrust will also provide written reports to our clients with details of our voting policy and how we voted as part of an agreed regular reporting pack.

Liontrust publish quarterly voting reports on the Liontrust website, outlining how we vote each holding <https://www.liontrust.co.uk/investor-relations/Governance/governance-policies>.