

## Liontrust Voting Policy December 2018 – Rest of the World<sup>1</sup>

We actively vote across the global markets as an extension of our engagement and to signal support or concerns about a company's practices and proposals. This policy excludes the US, Canada, UK, Europe and Japan market.

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.

Apply Liontrust custom policy recommendations to companies with a market cap greater than US\$3bn (or currency equivalent). For companies with a market cap of US\$3bn (or currency equivalent) – a buffer of US\$500m (or currency equivalent)\* will be applied to allow management of growing companies to adapt our policy recommendations, thus companies under US\$3.5bn (or currency equivalent) shall adapt the main ISS policy guidelines.

\*For a company that falls within the buffer of US\$3bn and ≤US\$3.5bn (or currency equivalent) we shall endeavour to notify these companies of the Liontrust custom policy. Once the company exceeds a market cap of ≥US\$3.5bn (or currency equivalent), the Liontrust custom policy recommendations will apply.

For Developing & Emerging markets<sup>2</sup> where the Liontrust custom policy applies (>US\$3.5bn (or currency equivalent)) and an **AGAINST** vote is recommended for the **first year** we shall apply an ABSTAIN vote in its place and will endeavour to notify/engage with the company that the following AGM season the Liontrust custom policy will apply.

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<sup>1</sup> Markets under the Liontrust Custom Rest of the World Policy: Australia, Brazil, Cayman Islands, Hong Kong, India, Israel, Korea, Latin America, Malaysia, New Zealand, Philippines, Russia, Singapore, South Africa, South America, Taiwan, Thailand.

<sup>2</sup> Developing & Emerging markets under the Liontrust Custom Rest of the World Policy: Brazil, China, India, Korea, Latin America, Malaysia, Philippines, Russia, South Africa, South America, Taiwan, Thailand

Voting Issue	Liontrust Policy	Vote Recommendations
<b>Financial Statements and Statutory Reports (M0105)</b>	<p>We may withhold support from the Report &amp; Accounts in certain instances including the following:</p> <p>Where adequate disclosure has not been provided or fundamental governance flaws have been found.</p> <p>Where the auditor has emphasised a matter or where the auditor has provided a qualified opinion.</p>	<p><b>Against</b> where adequate disclosure has not been provided (e.g. annual report not disclosed in time).</p> <p><b>Abstain</b> where auditor has emphasised a matter in its opinion.</p> <p><b>Against</b> where the auditor has qualified their opinion.</p>
<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><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 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>
<b>Company Boards (M0201) Director Elections</b>	<p>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</p>	<p><b>Against</b> if non-independent NED and board is less than 50% independent.</p>

	<p>non-independent directors if a majority of the board is not independent.</p> <p>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.</p> <p>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.</p> <p>For companies listed <b>in India, Hong Kong, Korea, Malaysia, Philippines, Singapore, Russia &amp; Taiwan</b> apply market practice independence classification.</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 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 chairmanship 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 chairman at a different company will be classified as overboarded.</p>	<p><b>Against</b> if non-independent NED and board is less than one-third independent.</p> <p>- In line with ISS</p> <p><b>Against</b> if a Director is considered overboarded (to be applied in line with ISS).</p>
<p><b>Director Elections – Chair of Nomination Committee</b></p>	<p>We may withhold support from the re-election of the Chair of the Nomination Committee:</p>	<p><b>Against</b> if fewer than 15% of women on the Board.</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><b>Abstain</b> if fewer than 30% of women on the Board (but greater than 15%).</p>
<p><b>Election of CEO/Chairman</b></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 an Executive Chairman.</p> <p>We will vote Against where a Company is seeking the election of a combined CEO and Chairman.</p>	<p><b>Against</b> if a Chairman is being elected for the first time and Chairman is non-independent on appointment. <b>For</b> if all subsequent proposals to elect a Chairman.</p> <p><b>Against</b> if an Executive Chairman unless an adequate explanation is given.</p> <p><b>Against</b> if there is a combined CEO/Chairman.</p>
<p><b>Terms of Office</b></p>	<p>Director terms should not exceed more than three years as we feel that longer terms of office reduce director accountability to shareholders.</p>	<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>
<p><b>Audit and Remuneration Committees</b></p>	<p>We will vote against any non-independent Director sitting on the Audit or Remuneration Committee.</p>	<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>
<p><b>Share Plans (M0501, M0503, M0507, M0509)</b></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>The dilutive effects of share plans should adhere to recommended guidelines.</p>	<p><b>Against</b> for Share Plans where performance targets are not applied/disclosed.</p> <p><b>Against</b> for Share Plans where performance targets are not considered to be sufficiently stretching.</p> <p><b>Against</b> for plans with less than 3 year vesting.</p> <p><b>Against</b> if dilution limits should not exceed recommended best practice of 10% in 10 years for all schemes.</p>

		Otherwise, with ISS.
<p><b>Remuneration Report (M0550) / Remuneration Policy (M0570)</b></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 the level of disclosure, 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.</p> <p>We are typically opposed to discretionary payments.</p> <p>Appropriate vesting levels are expected and the dilution of share schemes should adhere to recommended guidelines.</p>	<p>- If ISS voting against use explanation.</p> <p>- Poor disclosure</p> <p><b>Against</b> if there are concerns over quantum/increase in base pay (&gt;10%) without appropriate justification.</p> <p><b>Against</b> share plans where performance targets are not applied/disclosed.</p> <p><b>Against</b> share plans where performance targets are not considered to be sufficiently stretching.</p> <p><b>Against</b> if discretionary payments have been made and are without proper justification by the Company.</p> <p><b>Against</b> for plans with less than 3 year vesting.</p> <p><b>Against</b> if dilution limits exceed recommended best practice of 10% in 10 years for all schemes.</p>
<p><b>Share Issuances/Capital Structure (M0329/M0331/M0300s)</b></p>	<p>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>	<p><b>Against</b> if issue with pre-emptive rights exceed more than 100% of the currently issued share capital.</p> <p><b>Against</b> if issuance of shares without pre-emptive rights exceed more than 20% of the currently issued share capital.</p> <p><u>Australia &amp; New Zealand</u> Issue of Shares (Placement): Advance Approval &amp; Issue of Shares (Placement): Retrospective Approval – Case-by-case basis (In line with ISS)</p>

		<p><u>Hong Kong</u>  Generally vote for the general share issuance mandate for companies that:</p> <ul style="list-style-type: none"> <li>› Limit the aggregate issuance request - that is, for the general issuance mandate and the share reissuance mandate combined - to 10 percent or less of the relevant class of issued share capital;</li> <li>› Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules); and</li> <li>› Have no history of renewing the general issuance mandate several times within a period of one year.</li> </ul> <p><u>Malaysia</u>  › For companies listed on the Main Market and ACE Market of the Bursa Malaysia Securities Bhd (Exchange), vote for issuance requests without preemptive rights to a maximum of 10 percent of currently issued capital.  › For real estate investment trusts (REITs), vote for issuance requests without preemptive rights to a maximum of 20 percent of currently issued capital.</p> <p><u>Singapore</u>  › For companies listed on the Mainboard of the Singapore Exchange, generally vote for a general issuance of equity or equity-linked securities without preemptive rights when the share issuance limit is not more than 10 percent of the company's issued share capital and 50 percent with preemptive rights.</p> <p>› For companies listed on the Catalist market of the SGX, generally vote for a general issuance of equity or equity-linked securities without preemptive rights when the share issuance limit is not more than 20 percent of the company's issued share capital and 100 percent with preemptive rights.</p> <p><u>Taiwan</u>  Generally vote for general authority to issue shares if:</p> <ul style="list-style-type: none"> <li>› A general share issuance mandate that includes a private placement as one of the financing channels if the resulting dilution is limited to no more than 10 percent.</li> <li>› A general mandate for public share issuance if the issue size is limited to no more than 20 percent of the existing issued share capital.</li> </ul> <p><u>South Africa</u>  Vote for a general authority to place authorised but unissued ordinary shares under the control of the directors, unless:</p> <ul style="list-style-type: none"> <li>› The authority is over a number of shares equivalent to more than 10 percent of the current issued share capital;</li> </ul>
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<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.	Refer
<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.

**Items to be referred for internal consideration:**

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

**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 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