LIONTRUST
PRIDE IN OUR PROCESSES

GOVERNANCE AND PROXY VOTING

Sustainable Investment Team

We believe good governance of the companies in which we invest is an essential part of creating shareholder value and delivering investment performance for our clients.

We also believe that sustainability or environmental, social and governance (ESG) factors create risks and opportunities for companies and these should be managed appropriately. 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. This document sets out our Policy, which has been drafted in accordance with the Financial Reporting Council's Stewardship Code, which the Liontrust Sustainable Investment team endorses. This policy also sets out the procedures of the team for voting proxies. We recognise that regulation, levels of disclosure and management accountability vary between markets and differences in national market regulation means a single set of detailed guidelines may not always be appropriate. 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.

Scope

This policy covers:

- How we monitor the corporate governance performance of investee companies, engage in dialogue and intervene where appropriate.
- How we report to our clients.
- 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

On the next three pages, we summarise 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 andopportunities and explain how these are managed. As these are often not 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. We also aim to participate in collaborative engagement where appropriate.

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 chair person of the board or the senior independent director where appropriate. If we receive an unsatisfactory response, we will usually either sell the shares to protect our clients' assets, contact other shareholders to discuss joint intervention or publicly oppose management who refuse to act on our concerns.

Proxy voting policy

This policy applies to clients who have delegated responsibility for voting on their holdings to the Liontrust Sustainable Investment team. The primary purpose of an investment company is to create sustainable value for its shareowners. Our proxy voting policy is based on best practice globally. Our Policy is updated at least annually, taking into account emerging issues and trends, the evolution of market standards and regulatory changes. The policy 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 over-arching 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.

Responsibilities

The team is responsible for ensuring votes are instructed in line with intentions. The fund managers are responsible for disclosing any potential conflicts of interest relating to a proxy vote. The Governance & Stewardship Manager (G&S Manager) is responsible for vote execution ISS is responsible for casting these votes in line with the team's specific instructions. The G&S Manager is responsible for ensuring that full and adequate records of proxy voting are retained, including the investment manager's rationale for voting.

Review of proxy voting policies

The G&S Manager is responsible for ensuring that an annual review of this policy is carried out. The G&S Manager will also consider specific proxy voting matters as and when deemed necessary.

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 depositary. 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. The team has determined 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.

Proxy voting reporting

The Liontrust Sustainable Investment team publishes full quarterly voting listings at:
www.liontrust.co.uk/fund-teams/sustainable-investment-team

Liontrust Sustainable Investment team

Equities team

Peter Michaelis, Simon Clements and Neil Brown are the lead managers of a team of experienced investment professionals. With over 45 years of combined experience, the team transferred to Liontrust from Alliance Trust Investments (ATI) in April 2017 and were previously running the running the Sustainable Future Fund range at Aviva Investors. Peter was previously Head of SRI at Aviva Investors and has been running the funds since their launch in 2001. Simon was previously Head of Global Equities at Aviva Investors. Neil was an SRI Fund Manager at Aviva Investors. Sustainable Future Fund range at Aviva Investors. Peter was previously Head of SRI at Aviva Investors and has been running the funds since their launch in 2001. Simon was previously Head of Global Equities at Aviva Investors. Neil was an SRI Fund Manager at Aviva Investors.

Fixed Income team

Stuart Steven, Kenny Watson and Aitken Ross have more than 54 years of combined investment experience in managing fixed income. The team also transferred to Liontrust from ATI in April 2017. Stuart has 25 years of fixed income investment experience and was previously Investment Director at Scottish Widows Investment Partnership. Kenny has 22 years of fund management experience and was formerly at Ignis Asset Management where he was responsible for the sub investment grade bond portfolios. Aitken has seven years of financial experience and started his career in the graduate scheme at ATI.

Liontrust Fund Partners LLP, 2 Savoy Court, London WC2R 0EZ

Administration and Dealing: 0344 892 0349

liontrustadmin@bnymellon.com

www.liontrust.co.uk

LIONTRUST
PRIDE IN OUR PROCESSES