

Liontrust Investment Partners LLP and Liontrust Fund Partners LLP (“Liontrust”) Compliance Statement on the UK Stewardship code (the “Code”)

The Financial Reporting Council (“FRC”) published the UK Stewardship Code for institutional investors in July 2010, and updated the code in September 2012. The Code is designed to promote better dialogue between shareholders and company boards and encourage greater transparency about the way in which investors oversee the companies they own and contains seven Principles.

Liontrust is a fund management business that provides a range of funds as well as managing segregated accounts. The Financial Conduct Authority (“FCA”) requires authorised firms to disclose the nature of its commitment to the Code under Conduct of Business Rule 2.2.3.

Liontrust’s approach to the seven Principles and how we apply them are set out below:

1. Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

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 have a low average turnover – i.e. our 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.

At the heart of the Liontrust culture are the proprietary investment processes that each team applies to the management of their funds. Liontrust believe investment processes are key to long-term performance and effective risk control. Articulating a process in detail prompts fund managers to review all aspects of how they manage money. There is an acceptance that no process will work 100% of the time. But there is also an understanding that robust and good processes have the potential to deliver excellent long-term returns punctuated by short-term periods of underperformance. Giving each team the freedom to develop their own investment process means that the level of engagement each team has with companies will differ.

Portfolio managers are responsible for performing appropriate due diligence on their investments and this will, at a minimum, include regularly reviewing various aspects of a company including the strategy, performance, risk, capital structure and corporate governance. There is a recognition that these factors impact the long term returns of companies.

For some teams, direct engagement will be integral to the investment process (i.e. management meetings are a pre-requisite to investment), whereas others may actively avoid regular direct engagement with management because of potential behavioural biases. In 2015, Liontrust fund managers and analysts engaged with the senior management of approximately 350 global companies. Regardless of the actual day to day level of an investment team’s direct engagement with companies, this typically changes when specific management actions occur which will trigger increased engagement across the board. This will be triggered by actions such as inappropriate remuneration, mergers and acquisitions, corporate actions and leadership changes.

Liontrust recognises that good stewardship means an active engagement in voting, and Liontrust will always actively vote every shareholding where possible. Due to Liontrust's size, we believe the most effective way of directing our voting is to agree voting guidelines for all our investment teams in line with the voting principles recommended by the NAPF and any other relevant documents such as the UK Corporate Governance Code. Liontrust engages a third party to review shareholder votes against these guidelines and to manage our voting process.

Where Liontrust controls a larger proportion of a company's shareholding, we will typically engage more with the company, especially in circumstances where our voting guidelines are against the wishes of a company's management team. In these cases, the relevant fund manager(s) may engage directly with the company to understand the circumstances of the conflict, this should include purposeful dialogue on matters such as strategy, performance, risk, capital structure, corporate governance and remuneration, but the primary focus should be on any issues material to the longer term value of a company's shares.

Liontrust's response to the stewardship code and our other governance requirements including how Liontrust complies with the responsibilities laid out in the stewardship code is available on our website: <http://www.liontrust.co.uk/NewsCentre/InvestorRelations/CorporateGovernance.aspx>. Further details on the responses are available on request.

2. Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

It is Liontrust's duty to act in the best interests of our clients. Treating Customers Fairly is central to the core values of Liontrust. There is an embedded culture that understands what acceptable and unacceptable behaviour is. As such, conflicts of interest and the identification / management / mitigation thereof are central to this philosophy and culture. There may occasionally arise a conflict of interest, or a perceived conflict of interest, between Liontrust and a company in relation to stewardship. 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. To address these potential conflicts, Liontrust has a detailed conflict of interest policy which is publicly available on our website: <http://www.liontrust.co.uk/NewsCentre/InvestorRelations/CorporateGovernance.aspx> and is included within all investment management agreements as well as a register of conflicts. The policy details how we identify a situation where a conflict of interests has arisen, or may arise, how we try to prevent and manage conflicts and how we monitor and review them.

Liontrust is an independent listed fund management company whose funds are not permitted to invest in Liontrust shares.

Cases where a conflict or potential conflict relating to stewardship has been determined to exist, or potentially exist, such as where the company in question is also a client, or potential client, we adhere to the following procedure:

The Head of Risk, the Head of Compliance and Financial Crime and the relevant fund manager(s) will meet to discuss the specific situation, take advice from our voting service and decide on appropriate actions based on the specific circumstances. The relevant fund manager is responsible for any voting decisions within each of their funds, but must ensure that our course of action will best serve the interests of our entire client base. All decisions will be fully documented and follow internal guidelines.

3. Institutional investors should monitor their investee companies

As part of their daily routine, Liontrust's fund managers monitor company announcements, selected stockbroker research and press commentary on all of the companies in which they invest in order to ensure that the investment thesis that justified the original investment remains intact. This will include reviewing the report and accounts for each of the companies, any trading statements or other reporting produced. As part of this review, matters such as strategy, performance, risk, capital structure, corporate governance and remuneration will be considered but the primary focus will be on any issues material to the value of a company's shares.

Fund managers and analysts may also arrange a meeting / telephone conversation with company executives and / or board members. These meetings may be part of a regular update cycle (i.e. post results) or where clarification is needed on certain topics or activities. They may focus on specific issues (e.g. a merger or rights issue) or involve a general update on accounts, strategy, corporate governance issues or performance. Where we believe that shareholder value is threatened or is not being realised whether in the short or longer term, we may raise them with the company's board unless we consider it to be in our clients' best interests to sell the position. Fund managers may also discuss these issues with a company's broker or an analyst.

Liontrust use a third party to monitor and review shareholder meetings and resolutions against our guidelines. This allows us to focus our time and resources on those issues and resolutions that conflict with our guidelines which are based on the NAPF voting principles and the UK Corporate Governance Code, or that go against the spirit of the code. When any such discrepancy is discovered, depending on its nature and the size of the shareholding in the company, Liontrust would engage with the management of the company to understand the proposals and may support the company if there is a convincing justification and is in the interests of shareholders.

As a general point, we typically do not wish to be made insiders and therefore expect investee companies and their advisers to ensure that information that could affect our ability to deal in the shares of the company concerned is not conveyed to us without our prior agreement. Liontrust has specific procedures and internal controls in place covering market abuse and the handling of insider information. A company who wishes to bring Liontrust inside must go through our compliance department who will confirm with the appropriate fund managers if we should be brought inside and get written confirmation. We would only expect to be brought inside for companies where we own a significant position and for limited duration. Please contact our compliance team on LTCompliance@Liontrust.co.uk for further information.

A Liontrust representative will not typically attend a company general meeting in person, Liontrust believes it appropriate to engage with companies prior to voting at the general meeting.

4. Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities

Depending on the investment process, the level of engagement, in terms of regular meetings or calls with Company executives, or with the corporate brokers will differ. However, where we believe that shareholder value is threatened or is not being realised, Liontrust will always act in the clients best interests. As mentioned previously, our level of engagement with companies will increase when specific management actions occur. This will be triggered by actions such as inappropriate remuneration, mergers and acquisitions, corporate actions and leadership changes.

Where Liontrust controls a significant stake within a company, we will actively discuss any issues with management and, as a responsible shareholder, actively pursue any matters of concern. Where

Liontrust controls only a small fraction of a company's shares, a principle of proportionality is applied to our engagement with management to recognise the reduced influence of smaller shareholders.

Depending on the nature of the requirement for increased engagement, the action that Liontrust may take include:

- 1) communications through the company's brokers;
- 2) letters to senior management;
- 3) direct engagement with the chairman, non-executive directors, and senior management;
- 4) joint intervention with other shareholders;
- 5) voting against board proposals; and
- 6) ultimately, selling the shares.

For illustration, within the last 12 months we have engaged directly with the remuneration committee of one company over the design of the remuneration policy for the chief executive. Although outside of our standard guidelines, the fund managers believed the retention of the chief executive was vital at the current juncture for the company and that the package aligned both parties' interests and voted in favour. We were approached in a similar manner for several other companies, but it was felt that there was no direct benefit for our investors in approving these deals and we voted against.

At a number of other companies, we have for a number of years voted in favour of re-electing several long standing non-executive directors due to their long experience in that particular industry. However, for one of these companies, we now felt that the company needed to refresh their board and bring in new, independent non executives and voted against their re-election.

5. Institutional investors should be willing to act collectively with other investors where appropriate

Liontrust is open to working with other institutions and shareholders, where appropriate, to effect change. This may involve sharing views, ideas and joint actions with other institutions (for example under the auspices of the NAPF, Investment Association etc.) where we consider it appropriate to do so having due regard to our conflicts of interest policy as well as any applicable regulations and codes such as the Market Abuse Directive, concert party rules and the Takeover Code.

For any questions on engaging collectively and working with other parties, please contact Martin Kearney, Head of Compliance and Financial Crime (Martin.Kearney@Liontrust.co.uk).

6. Institutional investors should have a clear policy on voting and disclosure of voting activity

Liontrust uses a third party to monitor the voting at all of our investments and to exercise our voting rights in line with our agreed voting guidelines on behalf of clients at meetings of all holdings wherever possible and where restrictions around trading do not apply. Liontrust will always try to actively vote any shareholding in accordance with agreed guidelines in line with the voting principles recommended by the NAPF and any other relevant documents such as the UK Corporate Governance Code. It is Liontrust's policy to depart from these guidelines to protect the interests of our clients where appropriate. Any departure from these guidelines will be documented and agreed with the relevant fund manager as per internal procedures and voting procedures and activity are regularly reviewed by the Compliance team. Where we have taken a decision not to support a management proposal we will, where practicable, seek to raise the issues with the company prior to voting.

Where Liontrust believe it is in the best interests of clients, or where requested by clients, the share holdings 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. Liontrust will 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.

In summary, we endeavour to vote in all markets, wherever possible, unless there are certain technical reasons in overseas markets which prevent us from doing so or it is in the client's best interests not to do so. Liontrust will periodically publish an updated summary of the voting undertaken on behalf of its clients; further details are available on request.

As part of the voting policy, Liontrust will typically vote against anything in conflict with the UK Corporate Governance Code, or the spirit of the code and when any such discrepancy is discovered, Liontrust would engage with the management of the company to understand the proposals and may support the company if there is a convincing justification and is in the interests of shareholders.

Liontrust publish a summary of our voting record over the previous year on our website. <http://www.liontrust.co.uk/NewsCentre/InvestorRelations/CorporateGovernance.aspx>.

In 2015 Liontrust voted on over 10,000 resolutions. In line with our guidelines on voting, we voted against resolutions on 499 occasions across a number of topics. We voted against our standard policy fourteen times either for the re-election of directors who have sat on the board for longer than 10 years or for the approval of the remuneration packages.

7. Institutional investors should report periodically on their stewardship and voting activities

As part of our 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.

In addition, Liontrust will maintain the following records for a period of 5 years:

- A record of each proxy received (if it is in e-mail form, a copy of the e-mail).
- A record of each proxy executed and the reason behind the voting decision if such decision was inconsistent with the general guidelines.
- A record of each proxy abstained and the reason behind the abstention.
- All documents which were material to the voting decision including documents which were created by the portfolio managers (e.g. spreadsheets).
- Written requests from an investor for information on how Liontrust voted proxies and its response to any request (oral or written) from the investor for such proxy voting information.
- A written record of all disclosures, resolutions and determination of proxy vote arising from a conflict of interest.

Liontrust currently provide an AAF01/06 assurance report on internal controls to clients on request, we have reviewed the additional reporting and control requirements to extend the reporting to provide an independent opinion on our engagement and voting processes and have decided not to cover this at present. We will continue to keep this under review, especially if we receive investor demand for external auditing of the voting process.

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