

## Cantillon Capital Management Annual Statement on Cantillon's Shareholder Engagement Policy

Cantillon Capital Management LLP is an asset management firm, established in 2003. Together with our US affiliate, Cantillon Capital Management LLC (collectively referred to as 'Cantillon'), we manage assets of approximately \$20<sup>1</sup> billion, on behalf of charities and endowments, pension funds, family offices and other institutional investors. We manage a single investment strategy – Cantillon Global Equity – which seeks to achieve long-term capital appreciation by investing in a diversified portfolio of global equities.

This Annual Statement fulfils the requirements of the Shareholder Rights Directive II (SRD II) in setting out our voting activity during the calendar year 2023. Other information required to be reported by SRD II is already contained in our comprehensive quarterly investment reports and other investor material.

### Voting Activity

During the course of the year, we have voted proxies for our two pooled vehicles - the Cantillon Global Equity Fund (Irish-registered UCITS) and Cantillon Global Equity LP (US registered LP) - and for some of our separately managed accounts (SMAs). Some of our SMA clients chose to do their own voting.

Our policy is to vote proxies on a given issue in the same way for all of our clients.

We do not carry out securities lending for our two pooled fund vehicles. Some of our clients with SMAs have authorised their custodian bank to implement their own securities lending program and in those cases, we co-operate with the client's custodian to assist in the implementation of that program. Note that we do not recall stocks for voting purposes.

We take our voting responsibilities seriously and fully review every vote. We expect our investment professionals to be aware of the corporate structure, governance, and key strategic and operational considerations of our holdings. For example, excessive compensation schemes, significant changes to board structure or compliance functions, and mergers and acquisitions are all issues that need to be monitored carefully. We believe it is important for our investment professionals to review every item on every proxy, ensuring that we are aware of all the issues arising in ballots, and helping us use the influence we have to impact the direction of the companies held in the portfolios. Our investment professionals, as opposed to a proxy voting department or other operational group, are also best placed to judge whether proposals are in the best interests of shareholders.

We subscribe to research and proxy-related services provided by Institutional Shareholder Services (ISS) to assist us with the mechanics of voting. We also have access to ISS's research, and we review their voting recommendations and rationale for proxies relevant to us. ISS uses a shareholder maximisation philosophy for most of their clients (including Cantillon), which means they recommend the vote most likely to create value for equity holders in the long term. They also analyse the corporate governance implications of each proxy vote. While we find ISS's broad-based data resources and analytical frameworks to be useful, we do not outsource the final voting of proxies to them. The role of proxy advisers is controversial, particularly with corporate issuers, some of whom object to the outsized influence wielded by proxy advisers and also argue that they have conflicts of interest.

Cantillon's view is that our own investment professionals are best positioned to make the sometimes subjective judgements regarding what is in the best interests of shareholders. In cases where ISS recommends a vote against management, we typically engage with the company directly to better

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<sup>1</sup> At January 31, 2024.

understand their position on the issue. After considering the various arguments and conducting our own analysis, we make the final decision and record our voting rationale, if it differs from that of ISS.

We abstain from voting if we are in the process of selling the stock during the period between the record date and the AGM/EGM meeting date.

During 2023 we voted as follows:

	Number
Votable meetings	53
Meetings voted	53
Votable resolutions	803
Votes for management recommendation	737
Votes against management recommendation	41
Abstentions	22
Withheld	3

For the purposes of this report, we have reviewed all votes cast during 2023 to determine if any should be classed as significant, and therefore reported in this Statement. We used the following criteria to establish significance:

- 1) Votes where the company scores very poorly (10) on ISS's Governance Quality Score<sup>2</sup> and where Cantillon has voted against a management proposal; and
- 2) Votes which, in the view of Cantillon's investment team, are significant.

Using these criteria, there were two meetings in 2023 in which we cast votes that we deemed significant:

#### **CME, May 4, 2023**

For CME, the following votes were deemed significant:

- Election of Directors: We voted against the election of several directors due to their limited responsiveness to the 2022 failed say-on-pay vote (which received only 23% approval) and concerns over the company maintaining a multi-class share structure.
- Ratification of Executive Officer's Compensation: We voted against the ratification of the CEO's compensation as we felt the company needed more rigorous TSR standards and better justification for the payout structure.

#### **Alphabet, June 2, 2023**

For Alphabet, the following votes were deemed significant:

- Election of Directors: We voted against the election of several governance committee members due to concerns over the company maintaining a multi-class share structure with disparate voting rights which is not subject to a reasonable time-based sunset.
- Amendment of Omnibus Stock Plan: We voted against the amendment of the omnibus stock plan as we felt the plan cost is excessive, the three-year burn rate is excessive, the disclosure of change-in-control vesting treatment is incomplete, the plan permits liberal recycling of shares, and the plan allows broad discretion to accelerate vesting.

<sup>2</sup> ISS's Governance Quality Score is derived from publicly disclosed data and reporting on company governance disclosure, risk and performance. Scores indicate decile risk among relative index and region. Scores are calculated at each pillar by summing the factor scores in that pillar. Not all factors and not all subcategories have equal weight. For more information on ISS Quality Score, visit [www.issgovernance.com/solutions/qualityscore](http://www.issgovernance.com/solutions/qualityscore).

- Ratification of Named Executive Officers' Compensation: We voted against this proposal as we had concerns around the annual pay program for both non-CEO NEOs (related to disclosure, unjustified changes in the LTI program, the awarding of excessive equity grants, and undemanding TSR targets) and the CEO (related to a lack of alignment between the equity grant award structure and a pay-for-performance philosophy)

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Please contact the Cantillon Client Service team if you would like any further information.  
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