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 $18.3[1] 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 2020. 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. In 2020, the U.S. Securities and Exchange Commission announced stricter regulations for proxy advisers, including requirements to provide issuers with timely access to their recommendations, as well as an opportunity to provide written responses which are distributed to clients. These new rules are scheduled to take effect for the 2022 proxy season.

[1] At February 28, 2021.

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 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 2020 we voted as follows:

	Number
Proxies received	55
Proxies voted	53
Total issues for all proxies received	769
Issues voted against management recommendation	40
Abstentions/withheld votes	45

The vast majority of the votes cast are for routine matters associated with companies' Annual General Meetings, e.g., appointing auditors, electing/re-electing Directors, adopting financial statements, approving remuneration reports, approving dividends and authorising equity issuance. In most cases, these votes are not significant.

For the purposes of this report, we have reviewed all votes cast during 2020 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[2] and ISS has recommended voting against a management proposal; and
2) which, in the view of Cantillon's investment team, are significant.

Using these criteria, there were two votes in 2020 that we deemed significant:

Facebook, 27 May 2020
ISS recommended voting against management's proposal to approve the Director Compensation Policy, which sets out the annual compensation of non-employee directors. We agreed with ISS's view that a vote against this proposal was warranted. The proposed director pay program would provide relatively large compensation for directors compared to board members at other companies in the same market index and industry sector. The proposal also provides for onboarding equity grants to new directors valued at $1m, which is outsized and not in line with the company's peers or general market practices.

Alphabet, 3 June 2020
ISS recommended voting against two management proposals: 1) The amendment of Alphabet's amended and restated 2012 stock plan and 2) The approval of compensation awarded to named executive officers. We agreed with ISS's view that a vote against both these proposals was warranted. The concerns on the omnibus stock plan related to the estimated cost, plan features and grant practices. Specifically, the plan provided for the transferability of stock options without shareholder approval (negative override); the plan cost was excessive as was the three-year average burn rate; the disclosure of change-in-control vesting

[2] ISS's Governance QualityScore 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 QualityScore, visit www.issgovernancce.com/solutions/qualityscore.

treatment was incomplete; the plan permitted liberal recycling of shares and the plan allowed broad discretion to accelerate vesting.

The concerns regarding the newly appointed CEO's compensation related to the issuance of outsized equity awards totalling nearly $250m. The majority of the grants were time-based and disclosure around the rationale for an award of this magnitude was limited. In addition, the portion of the CEO's grant that was performance-related merely required median Total Shareholder Return performance, which is not particularly rigorous. Such sizable award opportunities should carry rigorous performance criteria. More generally, we continue to have concerns around pay magnitude and overall pay not being strongly performance-based. These recurring concerns evidence poor stewardship of the company's pay programs by the compensation committee.

Please contact the Cantillon Client Service team if you would like any further information.
ClientService@cantillon.com