

Cantillon Capital Management 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 \$15.7¹ 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 Shareholder Engagement Policy sets out how Cantillon undertakes stewardship and shareholder engagement. It follows the requirements of the Shareholder Rights Directive II, and supplements existing policy documents, specifically our Statement of Compliance with the UK Stewardship Code, and our ESG Policy.

Cantillon Funds Plc (of which our pooled fund vehicle the Cantillon Global Equity Fund is a sub-fund) falls within the scope of the Shareholder Rights Directive II. Accordingly, the Board of Cantillon Funds Plc has taken the decision to rely on Cantillon Capital Management's Shareholder Engagement Policy. This policy therefore applies to the Cantillon Global Equity Fund (as well as all other assets managed in Cantillon entities). Cantillon Capital Management will undertake annual reporting on the Policy for investors in all Cantillon entities.

Monitoring Investee Companies

Our investment approach is predicated on our view that there is a direct relationship between a company's ability to deliver consistently high and sustainable financial productivity over the long term and its intrinsic value. We focus only on the highest quality companies that have high financial productivity, can continue to grow, and which have a durable economic moat that allows them to compound value over the long-term.

Comprehensive ongoing research and monitoring of investee companies is essential to our investment process – we are long term investors and meet with the management of companies on a regular basis. We believe that this dialogue with companies is critical and it plays an important role in stewardship. Our long-term investment horizon means we have been able to develop long standing relationships with many investee companies. We seek open and constructive dialogue with management and board members, and on occasion, companies may seek out our views on specific issues.

In addition to regular contact with investee companies, we also use industry information, research reports, published accounts, press reports and other relevant sources of information, to inform our research and monitor investee companies. Our research typically focuses on whether the company's growth can be sustained, the strength of the moat around its business, and how the company intends to use its free cash flow. We maintain a detailed Investment Thesis on each investee company which contains our financial assumptions and modelling, and which is updated regularly. All our research materials, including our Investment Thesis, notes of meetings with company management and rationales for any sell decisions, are stored on Workstation, our internal research management system, and are easily accessible to the full research team.

We meet with all investee companies at least annually and in many cases, more frequently. Furthermore, if our analysts have concerns or questions, they contact the company to discuss. Corporate strategy,

¹ At 31 May 2020

particularly the use of free cash flow, the sustainability of growth, operational performance and corporate governance issues which we believe may impact shareholder value are typical areas for discussion.

The research team has access to the following resources and tools to help them monitor financial and non-financial performance and risk:

- Company generated material, such as company filings, results presentations, and financial reports. We may review such material for investee companies as well as those of competitor companies, suppliers, and customers
- Conversations with investee companies
- Data services, specifically FactSet and Bloomberg
- Industry blogs and other publicly available online resources
- Sell-side research (which is paid for by Cantillon)
- Proxy research reports from Institutional Shareholder Services
- MSCI ESG Research
- Industry Expert Consultants

In addition, Cantillon's risk management function provides the investment team with analytical and strategic support to continuously enhance risk measurement, monitoring and control. FactSet and Bloomberg are used to measure, monitor and deliver risk characteristics via a Weekly Risk Report and a Weekly Liquidity Report.

Environmental, Social and Governance (ESG) factors

In terms of monitoring environmental, social and corporate governance (ESG) factors, it should be noted that Cantillon's investment philosophy is predicated on finding high quality companies that are capable of growing and generating strong sustainable returns, and which trade at a discount to their intrinsic value. By virtue of our investment approach and pursuit of companies with sustainable competitive advantages, our portfolio tends to be populated with companies that we believe have good quality management and demonstrate sound corporate governance, environmental and social practices. We recognise that ESG factors can impact a company's financial performance, their long-term returns and hence the fair value of the stocks. We therefore look to integrate ESG issues into our investment analysis and decision-making process through:

- 1) **Detailed, fundamental stock analysis:** Before any stock enters the portfolio, analysts conduct an in-depth assessment of the company's future return and earnings profile. Any significant ESG issues that could have a material impact on the company's financial performance or risk profile are typically identified at this stage and captured within our assessment of sustainable returns and earnings potential.
- 2) **Annual ESG audit of the portfolio:** In collaboration with MSCI ESG Research, Cantillon conducts an annual ESG review of the portfolio to identify any companies involved in severe ESG controversies where there have been alleged violations of national or international laws, regulations and / or commonly accepted global norms. Companies are evaluated against over a hundred widely accepted global conventions and international standards such as the UN Global Compact, the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. The controversies and their severity are assessed against three pillars (Environment, Social and Governance) and five sub-pillars (Environment, Human Rights & Communities, Labour Rights & Supply Chain, Customers, Governance).

- 3) **Engaging in a constructive dialogue with company management:** An integral part of our investment process is regularly meeting the management of companies in which we invest. If there are any material ESG issues that have been identified, we will look to actively engage with the company to determine the materiality of the incident and assess whether it will have an impact on the company's intrinsic value. If there are issues of concern that have not been adequately answered during these meetings, and which we feel warrant escalation, we would discuss internally the most appropriate form of escalation. This escalation may involve a further meeting with the company, or, if the issue has already been discussed at length and not satisfactorily resolved, we would typically write to the Chairman or CEO of the company. Escalation does not always lead to the desired outcome. If this is the case, we will consider whether our investment thesis has been undermined in which case we will sell the stock.

Dialogue with investee companies

Engagement with investee companies may take many forms: face-to-face meetings at our offices, the company's offices or other scheduled events, video or telephone calls, company site visits or, on occasion, a formal letter. The latter is most likely to be used when we have concerns which we feel have not been adequately addressed during our conversations with company management.

Exercising voting rights and other rights attached to shares

We will accept delegation from our clients to vote proxies, and we have a fiduciary responsibility to our clients to maximise the value of their investment. One of these responsibilities is to vote our shares and use this influence to impact positively the performance of investee companies, and the direction of the companies in the portfolio.

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

We will not vote proxies for securities that a client has authorised their custodian bank to use in a stock lending program, which passes voting rights to the party with possession of the shares.

We take our voting responsibilities seriously, and fully review every vote. We expect our analysts to be aware of the corporate structure and governance of our holdings. For example, excessive compensation schemes or significant changes to board structure or compliance functions, are all topics that need to be monitored carefully. We believe it is important for our analysts to review 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. Analysts are also best placed to judge whether proposals are in the best interests of shareholders.

We use 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 recommendations on how to vote. They use 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.

In cases where ISS recommends a vote against management, we typically contact the company directly to better understand the issues. We do not automatically follow ISS's recommendations and may take a different view once we have considered all the issues.

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.

Other non-voting rights are considered by the analyst for the stock. Decisions are made based on what we believe to be the maximisation of long-term value. We also consider the risk parameters for the portfolio, where appropriate.

Co-operation with other shareholders

Engagement activities are usually conducted on a one-to-one basis with company management. We may communicate with other shareholders on a specific issue and will consider working with like-minded investors where we believe that co-ordinated action would be in the best interests of shareholders.

Note that we are not activist investors and have not collaborated or initiated collaboration with other shareholders to date. We are also unlikely to requisition a shareholder meeting or submit a shareholder resolution.

We are unlikely to join public, high profile campaigns.

Conflicts of interest

We have an obligation to manage conflicts of interest fairly, whether they arise between ourselves and our clients or between one client and another. Our robust conflicts of interest policy identifies conflicts and potential conflicts, and outlines the steps we take to mitigate those conflicts. The policy forms part of our Compliance Manual, which is reviewed and updated at least annually by our Chief Compliance Officer.

The full policy describes all the potential conflicts that may arise in the context of our business. The potential conflicts that are addressed in the policy can be summarised as follows:

- Personal account trading by staff in securities which are also traded for clients
- Allocation of transactions and investment opportunities between clients
- Favouring some trading counterparties over others
- Having conflicting positions in securities or adopting conflicting strategies for different clients that may be detrimental to one party
- Inappropriate handling of sensitive or confidential information
- Overstating or otherwise unfairly influencing the valuation of securities in our clients' portfolios
- Not taking sufficient action to rectify pricing and other valuation errors where to do so would have a negative impact on the value of the portfolio
- Not having clear arrangements for handling trade error
- Not implementing a valuation policy or deviating from it in a way that impacts the fair value of the portfolio.
- Larger investors may get additional information
- Staff may be influenced by inducement and other forms of entertainment
- Remuneration structures may be at odds with Cantillon's regulatory obligations or obligations to clients

- Responsibilities may be ineffectively apportioned, or staff may be inadequately supervised
- Staff who have outside commitments (i.e. directorships or other business interests) may be influenced to act in a manner that conflicts with the interests of clients

Situations in which the interests of clients may diverge, or where a client relationship raises a potential conflict, are discussed with the Chief Compliance Officer.

Cantillon's ownership structure is straightforward and poses no obvious conflict: we are a private company, ultimately owned by William von Mueffling, our Founder and President, who also heads our investment team. We are exclusively focused in the management of a single investment strategy – Cantillon Global Equity. We have no broker/dealer affiliates, do not trade securities for our own account and are not under the control of another financial services entity.

In normal circumstances, we do not wish to be made insiders. We expect investee companies and their advisers not to convey information to use that could affect our ability to deal in the shares of the company, without prior agreement.

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

ClientService@cantillon.com
