

# DIAMOND HILL FUNDS

## FUND GOVERNANCE GUIDELINES



The Board of Trustees (the “Board”) of Diamond Hill Funds (the “Trust”) represents the interests of shareholders in fostering an investment vehicle that is successful in all respects, particularly in fulfilling its fiduciary duty to its shareholders. The Board is responsible for determining that the Trust is managed with this objective in mind and that management, the investment adviser, and other service providers are executing their responsibilities. The Board is primarily responsible for overseeing and reviewing fund performance; overseeing each fund’s business, including the quality of its administrative, custody, distribution and investor services, security pricing and fund audits; reviewing the fees that the investment adviser charges and negotiating new fees where appropriate; and reviewing and approving each fund’s operating expenses and any changes to its investment objective and strategy. All are essential to a successful business.

### Board Composition

1. Size of the Board. The Board will consist of four to six members, depending on the timing of new member onboarding and member retirements. This size is satisfactory under current circumstances, but will be adjusted upward or downward to reflect the changing needs of the Trust.
2. Mix of Inside and Outside Directors; Independence Defined. One hundred percent (100%) of the members of the Board, including the Chairperson must be independent. If the Trust is unable to comply with this requirement because one trustee ceases to be independent for reasons beyond his or her reasonable control the Board will still have authority to take valid actions during such noncompliance, but will take steps to remedy such noncompliance as promptly as possible and in any event as required by the SEC.

A trustee is independent if he or she is not an “interested person” of the Trust as that term is defined in the Investment Company Act of 1940. A trustee will not be considered “independent” until the Board affirmatively determines that such trustee meets all applicable standards. Annually, each trustee completes a Trustee and Officer Questionnaire, which is used to confirm the trustee’s continued independence.

3. Board Membership Criteria. The Nominating and Governance Committee is responsible for recommending to the Board the appropriate skills and characteristics required of Board members, based on the needs of the Trust from time to time. This assessment will include experience, commitment, diversity, and other factors deemed relevant, including the then-current composition of the Board. Prospective Board members in all cases should demonstrate unimpeachable character and integrity, have sufficient time to carry out their duties, have experience at senior levels in areas of expertise helpful to the Trust and consistent with the objectives to have a diverse and well-rounded Board, and have the willingness and commitment to assume the responsibilities required of a trustee of the Trust. The Nominating and Governance

Committee will confer with the full Board as to the application of these criteria in connection with particular searches for new trustees.

4. Selection of new Trustees Candidates. The Board will select nominees from candidates identified and screened by the Nominating and Governance Committee. Any invitation to be nominated to or to join the Board will be extended through the Chairperson of the Nominating and Governance Committee, after approval by the full Board.
5. Trustee Orientation and Continuing Education. When a new trustee joins the Board, management will provide an orientation program for the purpose of providing the new trustee with an understanding of the operations and the financial condition of the Trust. In addition, each trustee is expected to maintain the necessary level of expertise to perform his or her responsibilities as a trustee. The Trust may, from time to time, offer continuing education programs to assist the trustees in maintaining such level of expertise. Each trustee also is encouraged to participate, at least once every three years, in continuing education programs for registered investment company directors/trustees sponsored by nationally recognized educational organizations not affiliated with the Trust. The costs of all such continuing education shall be paid by the Trust.
6. Other Board Memberships. Trustees will advise the Chairperson of the Nominating and Governance Committee in advance of accepting any directorship with a for-profit entity, to allow for a review of potential conflicts. Absent approval from the Nominating and Governance Committee, no trustee may serve on more than two other public-company or mutual fund boards (in addition to the Trust's Board). In this regard, it is the Board's belief that whether it is appropriate for a trustee to serve on more than two other public-company or mutual fund boards will depend on the circumstances of each case, including whether the director also is a full-time executive with another organization.
7. Trustees Who Change Their Affiliations. Any trustee who retires from or changes his or her employment or otherwise has a material change in professional responsibilities, occupation or business association shall give written notice to the Chairperson of the Nominating and Governance Committee as soon as possible, specifying the details of such change(s). The Nominating and Governance Committee will consider the changes(s) and all relevant factors and make a recommendation to the Board regarding whether to ask the trustee to resign or permit the trustee to continue to serve on the Board. The trustee whose membership is being reviewed shall not participate in the review or vote on the matter. It is the Board's belief that not every change in circumstances will require that a trustee leave the Board.
8. Retirement Age; Term Limits. No person shall be eligible to continue to serve as a trustee if such person has completed 15 years of service as a trustee, unless such person is currently the chairperson of the Board, in which case such person shall be eligible to continue to serve to the extent they have not yet served as chairperson for five consecutive years. The Board may consider the shareholder expenses potentially associated with replacing a trustee, and in their sole discretion, determine not to replace a trustee that has completed 15 years of service.

9. Share Ownership and Retention Guidelines for Trustees. The Board believes that trustees should have a significant personal investment in the fund series of the Trust. Consequently, 100% of the compensation each trustee receives, except as may be required to meet any tax liability resulting from the receipt of such compensation, shall be reinvested in shares of the Trust. Such shares received must be held for their entire term as a trustee and may not be sold until they retire from or otherwise discontinue serving on the Board.

Nothing in this Section 9 shall preclude transfers of equity instruments to trusts or similar entities for the benefit of a trustee, his or her spouse or family members.

The Nominating and Governance Committee will from time to time review the amount of trustee compensation and recommend any changes for Board consideration. The Nominating and Governance Committee will from time to time review these share ownership guidelines and recommend any changes for Board consideration.

## **Board Leadership**

1. Roles of Chairperson and President. The role of Chairperson and President shall be separate roles. The Chairperson must be an independent trustee as that term is defined in the Investment Company Act of 1940.
2. Chairperson. The Chairperson has the following responsibilities and authority:
  - chair Board meetings;
  - chair executive sessions of the independent trustees;
  - act as liaison between the independent trustees and management as requested by the independent trustees;
  - be available for consultation with management;
  - provide input on and approve final Board meeting agendas;
  - approve Board meeting schedules to assure there will be sufficient time to properly address agenda items;
  - oversee the information distributed in advance of Board meetings, including approval of the topics to be covered;
  - be available to the fund officers to discuss and, as necessary, respond to shareholder communications to the Board; and
  - call meetings of the independent trustees.

## **Board Meetings**

1. Scheduling. Board meetings are scheduled in advance, typically four times per year.
2. Agenda for Board Meetings. The Chairperson of the Board will establish, and cause to be distributed in advance, the agenda for each Board meeting. Trustees are encouraged to suggest items for the agenda to the Chairperson.
3. Information Provided to the Board; Communications.
  - a. Pre-Meeting. Information important to the matters that will be discussed at Board meetings is to be distributed in advance of the meeting so that trustees may prepare for meetings and meeting time can be devoted to substantive discussion. The Chairperson has oversight responsibility regarding the information to be distributed in advance of Board meetings, including approval of the topics to be covered.
  - b. Between Meetings. Management will keep trustees advised of any significant developments between meetings.
  - c. Communications. Regular discussion between the trustees and management, and among trustees, is encouraged. Management should make full use of the Board's talents by conferring with trustees about Trust matters within the trustees' areas of expertise.
4. Expectations of Directors.
  - a. Attendance; Availability. Each trustee is expected to attend each meeting of the Board and any committee of which the trustee is a member, and to be reasonably available to management and the other trustees for consultation between meetings. If a Board or committee meeting is scheduled as an in-person meeting, each Trustee is expected to attend in person. If any trustee's attendance at Board meetings is less than 75% (absent extenuating circumstances) in any trailing 12 month period such trustee shall submit their resignation from the Board. The Nominating and Governance Committee will consider all relevant factors related to the absences and make a recommendation to the Board regarding whether to accept the trustee resignation or permit the trustee to continue to serve on the Board.
  - b. Review of Materials; Operational Issues. Trustees are to carefully review information distributed to them prior to Board and committee meetings. If trustees have questions either about the materials distributed or Trust operations generally that are not likely to be of general interest or relevance to the entire Board, those issues should be discussed by the trustee with management either prior to or between Board meetings.
5. Attendance of Non-Trustees at Board Meetings. The Board encourages management to bring senior staff from the Trust's service providers into Board meetings from time to time, when such staff can provide additional insight into the items being discussed.

6. Conduct of Meetings. The Chairperson should conduct Board meetings on the assumption that each trustee has carefully reviewed all Board materials, and will fairly facilitate open and respectful discussions.
7. Executive Sessions of Independent Trustees. The independent trustees will regularly meet in executive session, typically in conjunction with regularly scheduled Board or committee meetings. The independent trustees will also regularly meet in executive session with the Trust's chief compliance officer. Such executive sessions will be chaired by the Chairperson, who will also establish an agenda for such meetings and follow up with management as appropriate.

### **Board and Committee Responsibilities and Policies**

1. Assessing the Board's Performance. At least annually, the Board will assess its performance and the contributions made by trustees, with a view to making full and productive use of trustees' talents and improving the performance of the Board and its committees. This assessment should be about the Board's contribution as a whole, with the goal of increasing the overall effectiveness of the Board. The Nominating and Governance Committee will establish and monitor procedures by which the Board will conduct such evaluations. This initiative will be led by the Chairperson of the Nominating and Governance Committee.
2. Assessing each Trustee's Performance. Periodically, the Board will assess the performance and contribution of each trustee, with a view to making full and productive use of each trustee's talents and improving the performance of the trustee. The Nominating and Governance Committee will establish and monitor procedures by which the Board will conduct such evaluations. This initiative will be led by the Chairperson of the Nominating and Governance Committee.
3. Board Compensation Review. The Nominating and Governance Committee, in consultation with management and outside compensation consultants (if necessary), will periodically review the compensation for independent trustees. Compensation for independent trustees will be recommended to the Board by the Nominating and Governance Committee.
4. Diamond Hill Funds Ownership and Retention Guidelines for Portfolio Managers. The Trust's primary objective is to fulfill its fiduciary responsibility to shareholders. Consistent with that responsibility the Trust believes it is important that all portfolio managers' interests are aligned with shareholders. Therefore, the Trust has adopted a strict Code of Ethics that prohibits covered persons, which include portfolio managers, of the Trust from purchasing individual equity or taxable bond securities (except for the company stock of the investment adviser) or third-party mutual funds within the same Morningstar categories with which Diamond Hill Funds compete. As a result of this prohibition, a significant portion of each portfolio managers' personal investments are in the same Diamond Hill Funds in which our shareholders invest.

## **Committee Matters**

1. Number, Titles and Charters of Committees. The standing Board committees are (a) Audit, and (b) Nominating and Governance. Each committee reviews its charter and activities annually, with the assistance of counsel, as appropriate, to make certain that they are consistent with sound governance practices and legal requirements. From time to time the Board may establish new committees, or disband existing committees, if the Board deems such action to be appropriate; provided, however, that the Board will maintain compliance with SEC and other applicable regulations.
2. Assignment and Rotation of Committee Members. The Nominating and Governance Committee is responsible, after consideration of the preferences of individual trustees, for recommending to the Board the assignment of trustees to committees each year. Each independent trustee is expected to serve at all times on at least one committee.
3. Frequency and Length of Committee Meetings. Each committee Chairperson, in consultation with committee members, will determine the frequency and length of each committee's meetings. Each committee will meet at least once each year.
4. Minutes and Reports. Minutes of each committee meeting or action will be maintained. Each committee will report regularly, through its Chairperson, to the Board on substantive matters considered by the committee.

## **Other Matters**

1. Board Access to Management. Trustees have complete access to members of the Trust's management team. Trustees will use judgment to be sure that such contacts are not distracting to the business operations of the Trust.
2. Board Interaction with Institutional Investors, the Press and Others. The Trust will speak to outside constituencies, such as the press, investors, analysts or the financial community, through management. If individual trustees intend to meet or otherwise communicate with any of these constituencies about Trust matters, this should be done only after notification to the president or chief compliance officer. Individual trustees will maintain confidentiality on all Board-related matters.
3. Resources. The Board will have the resources and authority appropriate to discharge its responsibilities, including the authority to retain and terminate special counsel and other experts or consultants.
4. Public Disclosure and Amendments of Guidelines. These Fund Governance Guidelines will be publically disclosed on the Trust's web site. The Nominating and Governance Committee will review these Fund Governance Guidelines annually and will recommend changes for review and approval by the Board.

Amended: November 19, 2020