

Proxy Voting Policy

May 2020



Pendal Fund Services Limited
ABN 13 161 249 332,
AFSL No 431426

Pendal Institutional Limited
ABN 17 126 390 627,
AFSL No 316455

Proxy Voting Policy

1. Objective and scope

This Policy applies to Pental Funds Services Limited (ABN 13 161 249 332, AFSL No 431426) (PFSL) and Pental Institutional Limited (ABN 17 126 390 627, AFSL No 316455) (PIL) (together, **Pental**) with respect to voting rights in listed securities.

PFSL acts as the Responsible Entity Trustee for registered and unregistered managed investment schemes; and PIL provides discretionary investment management services to institutional clients and other intermediaries (i.e. discrete client portfolio).

Pental has a fiduciary obligation to act in the best interest of all clients and represent its clients in corporate governance matters through the proxy voting process.

This Policy sets out Pental's approach to proxy voting in the context of exercising our fiduciary responsibilities, corporate governance principles and reporting responsibilities in relation to listed securities held in Pental managed investment schemes and discrete client portfolios.

In accordance with this Policy, Pental will:

- Vote on behalf of all Pental managed investment scheme members; and
- Only vote on behalf of a discrete client portfolio where it has been provided with the discretion to exercise voting rights on the client's behalf.

Scheme members and discrete clients will be collectively referred to as 'clients' in this Policy.

This Policy does not apply to situations where investment management of a fund has been delegated to an external manager, in which case, responsibility for proxy voting is retained by that delegated manager. However, Pental does have the ability (or can exercise the right) to direct an external manager in relation to the appointment of a proxy and the way in which the proxy should vote. As part of the due diligence process we do review external manager proxy voting policies and details of their proxy voting processes. Further, we require our external managers to complete an annual Environmental, Social and Governance (ESG) Due Diligence Questionnaire that requests information on any changes in internal governance and stewardship policies, philosophy, governance, practices (across investments, incentives and active ownership) and requests a report of proxy voting practices for the prior 12 months.

2. Who does this Policy apply to?

This Policy applies to all Pental employees, secondees, consultants, contractors, and people on work experience (called 'employees and contractors' in this Policy). If this Policy applies to you, you should read it and make sure you understand it. If you need guidance speak to your People Leader or Risk & Compliance.

3. Overview

Pental believes proxy voting is an important part of our fiduciary duty. Pental's overarching principle is that proxy votes should be cast in a way which is designed to ensure that proxies are voted in the best interests of clients. Pental encourages interactive and transparent discussions with clients on active ownership matters, including in relation to our proxy voting activities

Voting decisions are made on a case-by-case basis by an assessment of the matter at hand and after taking into consideration the likely effect on the performance on the portfolio or fund.

Pendal recognises the strong link between good corporate governance and investment value. There may be circumstances where Pendal believes it is in the best interests of clients to vote in a manner which may differ to the general consensus of the market or industry convention at the time.

Corporate governance is concerned with the way in which companies are directed and controlled. We believe that effective corporate governance is advanced through the application of corporate governance principles outlined in the ASX Corporate Governance Principles and Recommendations document.

4. Principles

Pendal considers corporate governance and the exercise of voting rights as another aspect of the investment decision-making process. Pendal recognises that it has the potential to influence investee company policy on matters of corporate governance by virtue of significant holdings in those investee companies, which are held on behalf of our clients.

Pendal seeks to engage directly with companies, including on ESG issues, where feasible to support our voting decision-making.

Further information on Pendal's approach to active ownership and engagement can be found in the Principles of Internal Governance and Asset Stewardship on Pendal's website.

Pendal's policy is based on the following principles:

- Any votes cast will be cast in the best interests of clients.
- Pendal will carefully consider whether to vote in favour of a board or management recommendation and each proposal considered on its own merits. Where Pendal believes that a recommendation is not in the best interests of our clients, the recommendation will not be supported.
- As a matter of principle, we are opposed to all mechanisms that skew voting rights, including different voting right share classes and any poison pill takeover defences. In the event that such situations arise, we will endeavour to seek an explanation from the company and if satisfactory explanations are not forthcoming we will then vote against the relevant resolution.
- Pendal supports diversity when considering the composition of the board. Having directors of different gender, ethnicity, ages and backgrounds can broaden the perspectives, skills and experiences of the board and in turn improve decision making.
- Pendal encourages companies to appropriately manage their material ESG risks, such as climate-related risks, and to provide investors with disclosures so they may be informed of those risks. We approach environmental and social resolutions on a case-by-case basis. We vote according to the merits of the resolution at hand and whether it is in the long-term interests of our clients.
- Pendal believes the board is ultimately responsible for culture and conduct and should be held accountable for instilling and reinforcing a culture of acting lawfully, ethically and responsibly.
- Pendal believes companies should remunerate fairly and responsibly in order to attract, retain and motivate high quality directors and senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite. We seek symmetric variability in the structure of remuneration packages. We support remuneration structures and packages that reward long-term growth and success of the company and will vote against those we deem excessive and/or contrary to the entity's values or risk appetite.

- Resolutions involving contentious issues will be dealt with thoroughly and thoughtfully and in the best interests of clients. Contentious issues may be defined as:
 - Any issue where there is the likelihood of Pental voting against the recommendation of our proxy advisors.
 - Any issue where there is the likelihood of Pental voting against a board sponsored resolution.
 - Any issue where there is a likelihood of Pental voting against a current Director standing for re-election.
 - Any issue involving a resolution that is not in line with ASX Corporate Governance Principles and Recommendations.
 - Any other issue or resolution which may be contentious taking into account industry conventions, relevant laws and media coverage.

Where a resolution is deemed to be contentious, the Analyst or Portfolio Manager responsible will consider all the relevant information, including external reports received from corporate governance advisers, and may contact the relevant company to obtain further details or clarification on the matter prior to making a final decision.

There may be circumstances where Pental does not exercise a proxy vote. Circumstances surrounding the non-exercising of proxy votes are carefully considered by Pental. Such circumstances may include:

- Where exclusions may arise from the Corporations Act or any conflict of interest; and
- Where Pental has already made a decision to dispose of the securities.
- Where Pental is not legally permitted to vote, such as in relation to share issues or transactions in which Pental's investment portfolios are participants.

As a multi-boutique investment firm Pental has full investment autonomy and a broad set of equity investment strategies. Therefore as there is no 'house view', on rare occasions, individual funds may place differing votes on the same resolution. For more information refer to the Principles of Internal Governance and Asset Stewardship on Pental's website.

5. Governance

Implementation of Pental's Proxy Voting Policy and the proxy voting decisions are the responsibility of the respective heads of the investment boutiques. Analysis and research is carried out by designated investment analysts.

To assist in decision-making, Pental may conduct research internally and/or use the resources of an independent external proxy advisory service. Pental uses the research services of Institutional Shareholder Services (Australia) Pty. Ltd (ISS). While we will consider the information and recommendations we receive from an advisory service, Pental retains full independence when exercising our votes. Pental is not bound to follow the recommendations supplied by any proxy advisor.

Pental may also consider studies of corporate governance and other proxy voting issues and/or analyses of shareholder and management proposals from a number of different sources including Pental's wholly owned Regnan business.

6. Engagement

Pendal engages in an ongoing dialogue with the management of the companies in which we invest to manage risk, effect change and protect value over the long term. We are committed to transparency in our active ownership practices and provide comprehensive information to clients.

In circumstances where we raise a concern and it is not adequately dealt with, we may seek further meetings with the company's chairman or other independent director(s). We may also use our proxy votes to influence management, for example we may vote against directors where it is deemed they do not have the appropriate skills, commitment or knowledge of the entity and the industry in which they operate, to enable them to discharge their duties effectively and add value. We may decide to sell down, or sell out of a security completely if a company does not adequately address our concerns, if we feel that is in the best interests of our clients.

Pendal also believes engagement with companies is critical to ensuring that we vote on an informed basis to protect our clients' long-term economic interests. In cases where we have concerns on a resolution our policy is to initially engage directly with the company and advocate for change privately. We typically engage with the company before the vote to communicate which way we are voting (both in cases of "with" and "against" management decisions). Any additional information provided by management during this pre-vote engagement process will be included in all of the available information to be considered before the final proxy vote decision is made.

Please refer to our Principles of Internal Governance and Asset Stewardship which is published on our website for further detail on our approach to engagement.

7. Disclosure and reporting

Pendal publishes an annual summary of all proxy voting records for its funds for the previous year in accordance with the Financial Service Council Standard No. 13 Voting Policy, Voting Record and Disclosure (26 March 2013). The record is published on Pendal's website: www.pendalgroup.com. Copies of this Proxy Voting Policy are also available on the website.

For more information contact the Risk & Compliance team
key account manager or visit pendalgroup.com

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