

CORPORATE GOVERNANCE AND PROXY VOTING POLICY

July 2019

POLICY

1. SCOPE

This policy applies to all of the corporate governance monitoring and proxy voting activities of Perpetual Investment Management Limited's fundamental active equity managers in respect of companies we invest in.

2. GENERAL

Perpetual Investments manages monies on behalf of institutional and retail clients through managed investment schemes, public offer superannuation funds, and discrete mandates (collectively referred to throughout this Policy as Funds).

3. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE CONSIDERATIONS

Perpetual Investments has a Responsible Investment (RI) Policy and a Principles of Internal Governance and Asset Stewardship (Stewardship) document, which are available on our website <http://www.perpetual.com.au/Investments/Institutional-Investors/Responsible-Investing/>.

Our RI policy covers Perpetual Investments' approach to incorporating environmental, social and corporate governance considerations into our investment decision-making and ownership practices.

Our Stewardship document provides information on our broad approach to investing, governance and asset stewardship.

Proxy voting rights are a valuable asset of the investor and are intrinsically linked to the expression of our views on asset stewardship, corporate governance practices and to our monitoring of the corporate governance performance of the companies we invest in. This policy expands on the general concepts described in the RI policy and Stewardship document in relation to corporate governance and sets out our approach to proxy voting.

This policy will at all times remain consistent with our RI policy and Stewardship document.

4. CORPORATE GOVERNANCE

Corporate Governance deals with the way in which companies are directed and controlled.

Perpetual Investments supports the *ASX Corporate Governance Council – Corporate Governance Principles and Recommendations*, and commonly accepted good corporate governance practices including:

Respect for shareholders

- Boards and management should act in the interests of all shareholders;
- Corporate structures should ensure shareholders have voting power which is equal to their equity interest in the company, and should not include “poison pill” or other anti-takeover provisions which seek to deter appropriate takeover offers; and
- Companies should ensure that their corporate disclosures provide the amount, quality and clarity of information required to make informed judgements on the performance of the company - including on its corporate governance practices.

Board function

- Boards should be comprised of a majority of independent directors;
- Chairmen should generally be an independent director, or where the Chair is not an independent director he/she should not also be the CEO;
- Directors should ensure that other commitments (including other directorships) do not interfere with the proper execution of their duties as a director;
- Nominations committees should be comprised of a majority of independent directors; and
- Boards should be comprised of individuals who have complimentary and relevant skills and experience that are appropriate to the activities of the company.

Auditors

- Audit committees should be comprised wholly of independent directors, or if this is not possible a majority;
- Audit committee chairmen should be independent directors who do not chair the company board; and

- Company auditor’s relationship with the company should be restricted to their audit engagement and closely related activities, and in any case should not extend to any activities which could be perceived to impair their independence.

Remuneration

- Remuneration committees should consist of a majority of independent directors;
- Any Director remuneration outside standard director fees (e.g. for consulting) should be fully disclosed;
- Remuneration for senior management should seek to align the interests of management with the long-term interests of shareholders, including appropriate stretch-hurdles for variable (performance based) pay (i.e. STI and LTI). The appropriateness of the balance between fixed and variable remuneration and the performance metrics used for the latter (e.g. relative TSR etc.) should be considered in the context of Perpetual Investment’s detailed understanding of the company’s size, stage of development, and current operating environment,
- Executive compensation which is excessive in absolute terms or materially out of line with peers should be closely examined and justified on value add or relative performance basis.

While we will actively promote these practices through the way in which we vote and our company engagement, we acknowledge that there are instances where one or more of these practices may not be possible during particular stages of a company’s development or in certain circumstances e.g. for tightly-held companies. We will always consider a company’s corporate governance practices in the context of what is in the best interests of our clients, and have appropriate regard to the company’s circumstances.

5. MONITORING CORPORATE GOVERNANCE AND COMPANY ENGAGEMENT

Perpetual Investments will monitor the corporate governance practices of companies through independent research, proxy voting advice, and our in-depth knowledge of the company.

Perpetual Investments Equities team employs a proven investment process where we only invest in companies that meet four quality filters:

1. Strong balance sheet
2. Recurring earnings
3. Quality business and;
4. Sound management and Board

The quality and appropriateness of a company’s corporate governance arrangements form part of our consideration of ‘sound management and Board’. Where we perceive a company’s, corporate governance has some material deficiencies, but that management and Board

quality overall passes our filter, we will seek to engage with the company through direct contact at senior levels.

In addition to direct contact with companies Perpetual Investments investment managers have a number of forums in which they can exercise their influence, including:

- expressing concerns through the company’s advisers
- voting against management resolutions at shareholder’s meetings
- engaging in ‘active public intervention’
- full or partial divestment.

Engagement with companies will always be conducted in accordance with the Corporations Act and in particular the insider trading provisions.

6. PROXY VOTING

Voting at company meetings is carried out by us on all resolutions where Perpetual Investments has the voting authority and responsibility to do so, where practicable.

Perpetual Investments will endeavour to vote on all company resolutions regardless of the ‘materiality’ of that resolution. All resolutions are considered on a case by case basis with consideration from our analyst who covers the company, along with the Manager, Responsible Investment. Voting recommendations are then presented to the Head of Equities and/or their delegate for consideration and signing. Voting decisions will be made in the clients’ best interests.

The same process above is applied to voting on shareholder resolutions. Voting decisions will be made in the clients’ best interests.

In some instances, we may determine that for governance reasons and that clients’ best interests are served by us voting to abstain or voting against a board-sponsored resolution.

To assist in decision making we subscribe to independent external proxy advisory services. These services analyse the key governance issues in each company and provide recommendations on constructive communication by institutions with the company on those issues. They also analyse resolutions submitted by management for shareholder approval at annual or other general meetings and provide voting recommendations on those resolutions. While we consider these recommendations the final decision is made by the Head of Equities and/or their delegate, subject to the management of any conflicts of interest (see 9 over page).

7. PUBLIC DISCLOSURE

As required by the Financial Services Council’s Standard 13 Voting Policy, Voting Record and Disclosure (the Standard), Perpetual Investments publishes annually on our website an aggregate summary of our Australian Proxy Voting records for the previous financial year for our direct investing managed investment schemes and public offer superannuation funds. Disclosure is provided

on a 'per investment and per resolution' basis, identifying the relevant Funds, in line with the Standard.

8. INSTITUTIONAL CLIENTS

The responsibility for exercising proxy votes for institutional client's funds is agreed between Perpetual Investments and the client and is incorporated into the Investment Management Agreement (IMA).

9. MANAGING CONFLICTS OF INTERESTS FOR SHORT POSITIONS

A significant vote against a company-sponsored resolution can have a negative share price impact. For example, a second consecutive against-vote of 25% or more on a remuneration report will trigger a vote to spill all board positions. If Perpetual holds long and short positions across different Funds, this could pose a conflict of interest for short positions, where for example remuneration votes could be used to trigger share price declines regardless of the merits of the remuneration report.

Similarly, where Perpetual is a significant holder of a company, knowledge of voting intention by a short selling portfolio manager could provide a new short selling opportunity that does not align with Perpetual's ethical standards.

Perpetual manages this risk as follows. The portfolio managers responsible for managing long/short Funds are not permitted to make or seek to influence voting decisions for companies where these Funds have an existing short position.

10. REVIEW AND APPROVAL OF THIS POLICY

This policy is maintained by the Manager, Responsible Investment. The policy will be reviewed annually or more frequently should circumstances require it.

The policy has been approved by the Perpetual Investment Management Limited board.

This information was prepared by Perpetual Investment Management Limited (Perpetual Investments) ABN 18 000 866 535, AFSL 234426. The information is believed to be accurate at the time of compilation and is provided by Perpetual Investments in good faith. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

MORE INFORMATION

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