

## **PROXY VOTING POLICY**

### **Introduction**

This Policy is based on fiduciary responsibilities to act in the best interest of clients as shareholders. It describes the approach taken by Pella Funds Management ('Pella') in relation to resolutions put forward by listed companies at Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs).

This policy applies to all relevant Pella employees involved in the proxy voting process. A copy of this Proxy Voting Policy and procedure will be provided to clients upon request.

### **Policy Statement**

The purpose of this Voting Policy is to target Pella acts in the best interest of clients as shareholders and to help minimize the potential for Pella's investments to cause 'significant harm'.

Pella's policy is to vote participate in 100% its funds' investments votes. If Pella receives a direction from a client in relation to the appointment of a proxy and the way the proxy should be voted, Pella will use its best endeavours to implement the direction. In the absence of any direction, Pella may exercise or not exercise the right to vote as it sees fit, having regard to any direction in the investment mandate and taking into consideration: any material conflicts of interests identified, strategy, performance, risk, capital structure and corporate governances (including cultures and remuneration) of investee companies.

### **Process Overview and Procedures**

- Proposed resolutions with explanatory notes are prepared and forwarded by the Pella's proxy voting service or middle office service provider.
- A member of Pella's Investment Team will review each material resolution on a case-by-case basis. In arriving at a recommendation three main principles are adhered to:
  - any resolution should treat shareholders equally;
  - any material conflicts of interest are addressed appropriately; and
  - resolutions should be individual and clearly stated. Composite resolutions are not regarded as optimal.
- To assist in decision making, Pella may subscribe to a proxy voting service which provides independent analysis and voting recommendations on key governance issues. Pella considers these recommendations when arriving at a decision.
- Pella may raise issues with company management prior to voting in an attempt to resolve issues.
- Voting recommendations are approved by the Portfolio Manager (PM). When unable to physically approve, the PM can transfer the right of approval to one of the Analysts.
- Upon approval, votes are processed by Pella on an electronic proxy voting system.
- Pella will maintain a record of all voting on behalf of clients and report these to the client where requested.

## **Routine Proposals**

Routine proposals are those which do not affect the structure, by laws, or operations of the corporation to the detriment of shareholders. Given the routine nature of these proposals, proxies will nearly always be voted with management. Traditionally, routine proposals include:

- Approval of independent auditors;
- Name changes;
- Election of directors (subject to competency, independence and limited number of board positions); or
- Coupling executive compensation with financial performance.

## **Non-Routine Proposals**

Issues in this category are more likely to have a greater impact on shareholder value.

Pella's main concern is to protect the value of its clients' investments. With this in mind these resolutions are subject to scrutiny on case by case basis. These types of resolutions may include:

- Mergers and acquisitions;
- Restructuring; or
- Employee share purchase plans

## **Corporate Governance Proposals**

Pella will generally vote against any management proposals that have the effect of restricting the full potential of its clients' investments. These would include but not limited to:

- Excessive senior executive and non-executive management remuneration;
- Golden handshakes;
- Special interest representation on the board;
- Share and Option schemes that do not reflect:
  - the responsibilities of the executive;
  - comparability to market practice;
  - appropriate performance hurdle benchmarks;
  - appropriate disclosure;
- Unequal voting rights; or
- Takeover Protection - e.g. Poison Pills - generally involves issuing preferred stock purchase rights or warrants unilaterally declared as a dividend without shareholder participation or approval. Poison pills can be used to insulate existing management against competitive bids.

## **Avoiding Significant Harm**

Pella's policy is to vote in accordance with the concept of '*avoiding significant harm*'. Pella defines significant harm as '*activities that come at a material cost to current or future generations*'. This means Pella will vote against any activities that could be a breach of the UN Global Compact, the OECD Guidelines for Multinational Enterprises or any other internationally accepted behavioural norms. If the said activity is not explicitly voted on, Pella will prioritise the consideration of the matter in its decision on how to vote on executive remuneration and

director re(election). Finally, Pella will seek to engage with the company on the matter, outside of the formal voting process.

## **Engagement with Companies**

In addition to voting, Pella may enter dialogue with a company to voice concerns in relation to actions or directions a company is taking in relation to performance, corporate governance and other matters affecting shareholders' interests.

## **Conflicts of Interest**

If a Pella employee detects a material conflict of interest in connection with voting on the resolutions, then the employee should escalate the matter to the Portfolio Manager and COO. In such circumstances Pella may abstain from voting if that action is deemed to be in its client's best interest.

## **Socially Responsible Policy Issues**

Pella may decide to vote on such issues on a case-by-case basis recognising that social responsibility issues may impact the value of the shareholders' investment.

Generally, Pella does not apply specific socially responsible investment or methodologies screens, unless specifically directed by the client.

## **Class Actions**

Pella does not direct clients' participation in class actions. The Portfolio Manager will determine whether to return any documentation inadvertently received regarding clients' participation in class actions to the sender, or to forward such information to the appropriate clients.