



PRIME SUPER

Proxy Voting Policy

August 2020

VERSION	4
PREPARED BY (TEAM)	Investments
DATE APPROVED	26 August 2020
APPROVED BY AND HOW	Trustee Board through a board meeting
EFFECTIVE DATE	26 August 2020
NEXT REVIEW	August 2022

Version control

ISSUE DATE	VERSION	REVIEWED BY	SUMMARY OF CHANGES
July 2013	1	John Deninger	
October 2016	2	Jane Kang	Biennial review
October 2018	3	Jane Kang	Biennial review
August 2020	4	Jane Kang	Biennial review and review of content by business unit
August 2020	4	Michelle Ward/ Wendy Shang	Special Policies Project Review

TABLE OF CONTENTS

1.	Background.....	4
2.	Objective	4
3.	This Policy	4
4.	General Information on Proxy Voting	4
5.	Proxy Advice and Research.....	5
5.1	Investment managers that hold the shares on behalf of Prime Super	5
5.2	Research and advice from an independent proxy voting research adviser.....	5
6.	Proxy Voting Application and Process.....	5
6.1	Remuneration.....	5
6.2	Executive Short Term Incentive Schemes.....	6
6.3	Executive Long Term Incentive Schemes.....	6
6.3.1	Termination Payments.....	6
6.3.2	Non-Executive Director Remuneration.....	6
6.4	Remuneration Reports.....	6
6.5	Climate related targets and disclosures.....	6
6.6	Different Voting Intentions.....	7
6.6.1	Share issuances and placements	7
6.6.2	Financial Reports.....	7
6.6.3	Shareholder resolutions	7
6.7	International Equities	7
7.	Conflicts of Interest.....	7
8.	Implementation and Compliance	8
9.	Review of this policy.....	8

1. BACKGROUND

Prime Super Pty Ltd as trustee for Prime Super, is responsible for the efficient, sound and prudent management of the investments of the Fund.

The Trustee must at all times have an investment governance framework to manage the Fund's investments to meet the Trustee's obligations to beneficiaries. This framework must include all Trustee Board policies relating to the Fund's investment activities. The proxy voting policy forms part of the investment governance framework, and outlines the proxy voting guidelines that are applied to the listed equities managed by Prime Super's mandated Australian equity investment managers. These equities are listed on the Australian Securities Exchange (ASX).

Prime Super considers corporate governance an area that is integral to the investment process as a company that displays strong corporate governance practices will generally perform well over the long term.

2. OBJECTIVE

The objective of the Proxy Voting Policy is to ensure that Prime Super Pty Ltd makes investment decisions in the interests of Prime Super's members.

Prime Super has a responsibility to exercise its voting rights in companies in which it holds shares on behalf of its members. Through exercising these voting rights, Prime Super can influence a company's board elections, executive pay and performance measures, and encourage a company to act responsibly. These factors are important for maximising the long term benefit provided to its members through superior returns from these companies.

3. THIS POLICY

This policy details the proxy voting process on Australian equity investments within Prime Super's segregated portfolios. Prime Super lodges votes for ASX listed companies via the proxy adviser portal which is also linked to the custodian.

Prime Super's international equities are predominantly held via pooled funds, where the manager of the pooled fund has the capacity to exercise voting rights. Prime Super recognizes that the manager has the legal capacity to exercise votes attached to shares in companies that form part of the unit trust and that it is also possible for the manager to engage with these companies on corporate governance issues.

If Prime Super were to hold international equities via segregated portfolios, the investment manager will be authorised to vote in accordance with the investment manager's proxy voting policy on behalf of Prime Super.

4. GENERAL INFORMATION ON PROXY VOTING

Proxy voting enables shareholders to vote on proposals influencing a company's operations including changes that are aimed at generating better financial outcomes, the election of directors, governance, and the remuneration of directors and executives.

This policy sets out the Trustee's approach in achieving this goal and is formulated with regard to the guidelines detailed in *ASFA Best Practice Paper 17: Active Share Ownership Guidelines for Superannuation Fund Trustees*. The Trustee is a member of ASFA, the peak policy, research and advocacy body for Australia's superannuation industry.

5. PROXY ADVICE AND RESEARCH

Prime Super uses two sources of advice in the process of its decision on proxy voting:

5.1 Investment managers that hold the shares on behalf of Prime Super

An investment management agreement (IMA) is executed by Prime Super with each of its discrete investment manager. Under these agreements, Prime Super delegates the voting function to the investment managers.

5.2 Research and advice from an independent proxy voting research adviser

Prime Super has appointed an independent proxy voting research adviser to assist in the overall review and assessment of voting obligations on all companies invested by Prime Super, and to provide voting recommendations and research on these companies.

ISS Australian Proxy Voting Guidelines and Updates are attached. (Attachment 1)

The Trustee will make an assessment on a vote taking into account the recommendations from both the investment managers and the proxy voting research adviser.

6. PROXY VOTING APPLICATION AND PROCESS

Prime Super will vote on all company resolutions of the Australian equity investments beneficially held by the Fund. These will be voted through a combination of votes cast directly by the Trustee, and votes cast by the investment managers on behalf of Prime Super.

Detailed below are key areas of how Prime Super will in general, exercise its right to vote.

6.1 Remuneration

The Trustee will take into account the individual circumstances of the company when considering remuneration resolutions. Executive remuneration generally comprises fixed, short-term and long-term incentive arrangements. The aim of these arrangements is to attract, motivate and retain the right people. When assessing the level of remuneration, the Trustee will consider the performance of the company, as well as the size and complexity of the company and its operations.

In general remuneration should:

- not be excessive;
- be in line with industry practice; and
- any performance remuneration should take the above two points into consideration.

Executive remuneration is deemed excessive if the total remuneration is above two (2) million Australian dollars. However, Prime Super will assess all executive remuneration above the two-million-dollar threshold and compare it to median salaries of peer companies with a comparative capitalised value. For Prime Super to vote in favour of the resolution, the total remuneration must at a minimum, be below peer median salaries and be representative of the performance of the executives.

There may be instances where the executive salaries are within the stated conditions above but may not be reflective of the company's performance or other corporate governance issues are present. In such cases, Prime Super will vote based on their assessment of the situation.

6.2 Executive Short Term Incentive Schemes

The Trustee believes that granting incentives under these schemes with a vesting period shorter than three years is required to attract and retain suitable individuals, however any short term incentive must not be based on an approach that may not lead to the delivery of long term sustainable growth for the Company.

Short term incentives are based on the performance of executives against key performance indicators. Key performance indicators may not be publicly available for confidentiality reasons. But the Trustee will assess the actual value of any short term incentive paid against the business results of the company and its peers.

6.3 Executive Long Term Incentive Schemes

The Trustee believes that granting incentives under these schemes with a vesting period shorter than three years is not appropriate. The Trustee considers it is up to each Board to determine the appropriate performance metrics in light of its business operations and business plan. When assessing performance criteria, established for the award of shares and/or options, these should be consistent with the company's strategy and objective for maximising shareholder value.

The Trustee is a long term holder of shares in a company, and as such any long term incentive scheme must be aimed at delivering a long term benefit to the shareholder, for which the executive will receive an appropriate level of reward.

6.3.1 Termination Payments

The Trustee does not consider executive termination packages of more than 12 month's salary appropriate. The Trustee will analyse the treatment of equity incentives on termination and their link to performance and the level of Board discretion applicable to such benefits.

6.3.2 Non-Executive Director Remuneration

Shareholders have the right to vote on proposed increases in the aggregate non-executive director fee pool and to approve proposals for these directors to receive fees in the form of shares. Remuneration for these directors should reflect the role that they perform including Board and committee participation.

The Trustee prefers that companies do not have an active retirement benefit scheme, do not offer options to these directors, and that the size and details of any proposed aggregate non-executive director fee cap is disclosed.

6.4 Remuneration Reports

Companies submit a Remuneration Report to shareholders at the annual general meeting. The vote on this resolution is advisory only and not binding on the Board. The Trustee will review the Remuneration Report as a whole, and consider the following:

- remuneration plans should reflect what is needed to attract, motivate and retain the right people;
- whether the fixed pay level of executives is excessive relative to a range of peers, and the rationale for any fixed pay increase;
- the expectation that executive short-term incentive plans relate to the key drivers of the business, out performance of which is expected to result in increased shareholder returns; and
- the rationale for retention payments.

6.5 Climate related targets and disclosures

Resolutions may be put forward by large shareholders regarding climate related targets and disclosures which companies should aim to comply with. Prime Super will assess the merits of each

resolution taking into account the analysis of the investment manager and proxy voting research adviser.

The Trustee will generally vote in favour of resolutions which encourage the company to lower emissions targets or disclose climate related financial risks in line with guidelines provided by the Taskforce on Climate-related Financial Disclosures. However, if the company has demonstrated sufficient actions to address climate related financial risks, then Prime Super may not vote in favour of the resolution.

6.6 Different Voting Intentions

Prime Super will review all the votes by the investment managers and that of the proxy voting research adviser. Where the voting intentions of the investment managers differ from that of the proxy voting research adviser, Prime Super will review the reasons to ascertain a voting position.

Below are some examples as to how the voting intentions may differ.

6.6.1 Share issuances and placements

In accordance with ASX listing rules, listed companies must seek shareholder approval before issuing additional shares via share placement plans. The investment manager may abstain from voting if they had elected to participate in the placement, or they may vote against the resolution if the issuance has a significant dilutionary impact. However, the proxy advisor is not always privy to information such as the investment manager's participation in the corporate action and may vote contrarily to the manager from time to time. In this case, Prime Super will defer to the investment manager's vote for their portion of eligible shares.

6.6.2 Financial Reports

From time to time, resolutions to approve a company's audited financial reports may be put forward for shareholder approval. In some cases, the investment manager may abstain from voting to ensure that they have the option of pursuing legal action should irregularities in the financial statements arise in the future. Prime Super will defer to the manager's vote instead of the proxy adviser recommendation in this instance.

6.6.3 Shareholder resolutions

Resolutions will be put forward by large shareholders of companies and are often themed around corporate responsibility. The investment manager's and proxy adviser's views may differ on each shareholder resolution and will often reflect in the differing voting intentions of each party. Prime Super will rely on the proxy advisers research and recommendation to cast its vote accordingly on shareholder resolutions.

6.7 International Equities

As stated in Section 2 of this policy, Prime Super's international equities are predominantly held in pooled funds and recognise that the investment manager of the pooled fund has the capacity to vote on behalf of the trust.

However, for any segregated international equity portfolios, the investment manager is authorised to vote on behalf of Prime Super. The international investment manager is required to provide its proxy voting policy and report to Prime Super.

7. CONFLICTS OF INTEREST

Any determination made by a director under this policy must comply with the requirements of

8. IMPLEMENTATION AND COMPLIANCE

On a bi-annual basis, Prime Super will provide the Board of Trustees the proxy voting reports on the Australian equities. These reports are also available on request.

In addition, Prime Super's proxy voting reports are published on the website bi-annually and within 20 business days after 30 June and 31 December each year.

9. REVIEW OF THIS POLICY

This policy will be reviewed and approved by the Trustee once every two years or when required. The Trustee may also review this policy at any time for any reason, but in particular, where it becomes aware that:

- this policy is out of date;
- this policy is no longer relevant to the circumstances of Prime Super;
- there are changes to the Trustee's investment strategy or the asset allocation process which impact this policy;
- there are changes to out-sourced service providers, to systems or to arrangements which directly impact upon the crediting rate process;

Prime Super's General Manager, Investments is responsible for identifying the need for reporting any required changes to the Trustee.