

Proxy Voting

Introduction

This policy sets out the principles and guidelines that we will apply when exercising voting rights on assets managed on behalf of clients.

This policy should be read in conjunction with WaveStone's Environmental, Social and Governance (ESG) Policy, which outlines how we integrate ESG risks and opportunities into investment decisions, and Engagement Policy, which sets out the framework for engaging with investee companies and key stakeholders.

Policy on voting

As an investment manager, we take our ownership responsibilities seriously as we believe the right to vote as proxy is an important asset. Our primary objective when voting will be maximising the value of our funds and our client's investments.

The following summarises our voting policy:

- We aim to vote on resolutions concerning companies in which our clients are invested, where we have been assigned the right to vote; and
- We will seek to vote on all company resolutions, however, in some instances, we may abstain from voting. In such circumstances, the decision will be disclosed as part of our Proxy Voting reporting process.
- We will ensure that votes are cast in a timely and efficient manner by having procedures in place to minimise discrepancies and mismatches between eligible votes and those cast, including through appropriate due diligence of service providers who may implement these procedures on our behalf.
- We may occasionally engage with other investors when considering voting decisions provided that it is undertaken in a manner that does not breach corporations, takeover or competition laws.
- We may consider the merits of all resolutions put forward, irrespective of the proponents of the resolution. Where resolutions are raised in multiple parts, we may also consider both the individual merits of each part of the resolution and the impact of the resolution as a whole.
- We will give consideration as to the value of providing prior notice to the company of its voting intention. This may be relevant where the voting intention differs from the recommendations of the relevant board and management.

- We may, in determining our proxy voting, rely on a professional third-party advisory firm to provide research and advice on proxy voting and corporate governance issues. Any third party views serve just one input to our process, ultimately we use our own insights from stewardship and company engagement activities to determine our voting position at a shareholder meeting.
- Proxy voting decisions are approved by WaveStone's directors. We also have a dedicated ESG specialist to support WaveStone's commitment to active ownership, proxy voting and engagements.

Guiding principles on proxy voting decision

The following are our guiding principles on proxy voting for the types of proposals that are frequently presented. It is acknowledged however, that there may be circumstances when our vote on specific issues may deviate from these principles.

Corporate Governance Factors

Board structure

We believe that good corporate governance is reflected in a company when the following is reflected in the board structure of a company:

- Board should be made up of a majority independent Directors, subject to the skills and experience that the individual brings to the Board;
- The roles of Company Chairperson and Chief Executive Officer should be separate individuals; and
- Non-executive directors should be independent of management, and free of any business or other relationship that could materially conflict with management's decision.

Existence of nomination and audit committees

The Board should establish committees such as nomination and audit committees to maintain independence and accountability in those respective areas.

A majority of the members on these committees should be independent members and ideally an independent Chair.

The audit committee should consist of the following:

- Majority independent non-executive directors;
- Chairperson who is independent and not chairperson of the Board; and
- At least three members.

Remuneration committee

The Board should also establish a remuneration committee to maintain oversight of executive remuneration arrangements and outcomes. This will ensure that executives' remuneration is independently reviewed and approved by the committee. Executive remuneration should be in line with acceptable best market as well as peer practice.

The following should be in place:

- Membership of the remuneration committee should be made publicly available and that committee should be comprised of a majority of independent Directors;
- Full disclosure of the Directors' and executive remuneration, including share-based payments, fringe benefits, retirement benefits etc; and
- Chairperson of the remuneration committee should provide reasons to shareholders for the level of Directors' remuneration.

Re-election

When deciding on the re-election of the Directors we will consider the following:

- Number of other positions the Board members hold, in the context of whether they are able to dedicate sufficient time to performing the duties required of a board/committee member
- Their existing attendance record at board and committee meetings.
- Track record of skills and contribution to their directorship roles. For instance, we may withhold votes for nominees who serve on the remuneration committee if they approve excessive remuneration arrangements or propose equity-based compensation plans that unduly dilute the ownership interest of shareholders.

Equity-based compensation plans

We believe that appropriate equity-based compensation plans should be:

- Approved by shareholders and aligned to long-term value shareholder value creation;
- Linked to appropriate performance hurdles and vesting schedules that are well disclosed;
- Non-dilutive in any substantial way to investors ownership interest in the company; and
- Opposed to providing participants with excessive awards.

Corporate structure and shareholder rights

We believe that shareholders should have voting power equal to their equity interest in the company. For instance:

- We will support motions that shareholder votes are by poll; and
- We will vote against proposals for a separate class of securities with disparate voting rights.

Environmental and Social Factors

We acknowledge that sustainable business practices will be a key determinate of long-term profitability, with companies that are able to understand and actively manage environmental and social considerations likely to achieve a competitive advantage. Environmental and social factors are relevant to all companies, but their relative importance will vary across companies, sectors and through time.

Environmental and social company resolutions (including shareholder proposals) are assessed on a case-by-case basis. While we assess each resolution relating to these issues on their merits, and having consideration to the efficacy of our own engagement activity with the company, there are principles that guide us in assessing environmental and social resolutions:

- Promote sustainable business practices aligned with the transition to a low carbon economy.
- Support companies that effectively manage social risks and uphold human rights
- Encourage transparency, accountability and robust ESG governance

Examples of instances where our voting may not be in line with company management for environmental and social proposals include, but not limited to:

- We may consider voting against "Say on Climate" votes where transition plans are vague and lack short-and medium-term targets.
- We may consider supporting proposals aimed at promoting effective management and disclosure of company's environmental footprint, particularly in sensitive ecosystems.

Reporting & Disclosure

Mandate clients are informed through regular reports as specified in the contractual terms of the mandate of voting activity. WaveStone publishes its engagement activity on a quarterly basis. The quarterly ESG activity statement is published on our website.

WaveStone regularly discloses its proxy voting activities via the Fidante Proxy voting [dashboard](#).