

PENGANA INTERNATIONAL EQUITIES STRATEGY ENGAGEMENT AND VOTING POLICY

INTRODUCTION AND PURPOSE

Pengana Investment Management Limited ACN 063 081 612 (“PIML”) and Pengana Capital Ltd ACN 103 800 568 (“PCL”) are responsible entity companies and are fully owned subsidiaries of Pengana Capital Group Limited (“PCG” or “Pengana”), an ASX-listed investment management company.

The Pengana International Strategy encompasses four retail registered managed investment schemes and an ASX listed investment company:

- Pengana International Fund (“PIF”)
- Pengana International Fund – Ethical (“PIE”)
- Pengana International Fund - Ethical Opportunity (“PIEO”)
- Pengana High Conviction Equities Fund (“PHC”)
- Pengana International Equities Limited (“PIA”, ASX: PIA)

PCL is the responsible entity for PIF, PIE, PIEO and PHC, while PIML is the Investment Manager of PIA.

This Policy outlines the approach to engagement activities for the Pengana International Strategy and summarises the environmental, social and governance (“ESG”) factors that are considered when engaging with investee companies, including the principles and guidelines under which rights to vote are exercised by PIML and PCL for Pengana International Strategy investee companies.

This policy should be read in conjunction with the Pengana International Strategy Ethical Responsible & ESG Investment Policy.

SCOPE

This Policy has been drafted to ensure it meets the requirements relating to engagement and proxy voting disclosure as set out in:

- Financial Services Council FSC Standard 1 – Code of Ethics and Code of Conduct
- Financial Services Council FSC Standard 13 – Voting Policy, Voting Record and Disclosure
- Financial Services Council FSC Standard 23: Principles of Internal Governance and Asset Stewardship
- Governance Institute of Australia Improving Engagement between ASX-Listed Companies and their Institutional Investors: Principles and Guidelines
- Principles for Responsible Investment (“PRI”) – Investment Policy: Process and Practice
- Principles for Responsible Investment (“PRI”) – A Practical Guide to Active Ownership in Listed Equity

This Policy applies to products managed under the Pengana International Strategy (“the Portfolios”) and is subject to local laws and regulations in applicable foreign jurisdictions.

Local laws and regulations may be stricter than the practices set out in this Policy and may impose additional limitations or requirements on a local business unit. Where local requirements are more stringent than those set out in this Policy, the local legislation will prevail.

PRINCIPLES

Corporate governance of and engagement with investee companies is an important aspect of the investment decision-making process. We recognise that we have the potential to influence investee company practices by virtue of significant holdings in those investee companies, which are held on behalf of our clients. We take a thoughtful and deliberate approach to asset stewardship. The engagement framework has been designed to enhance investment decision-making and optimise our ability to affect outcomes.

IDENTIFICATION

Engagement is initiated if it is identified, through an assessment of an investee company's ESG policies or practices, that a company does not meet standards established by government, regulators, industry, peers or society at large, or that its conduct threatens its reputation and value. Events that may impact long-term value or material sector specific concerns are also considered. In some cases, engagement occurs to request additional information to inform our governance assessment, including exposure to and management of environmental or social issues.

Effective monitoring of company performance is an essential element of our investment approach. As active investors, our portfolio managers engage in regular dialogue with investee companies to ensure they understand all aspects of their business.

Assessment of potential issues may encompass company materials, broker or proxy advisory research, financial data providers and other publicly available information. Pengana also retains the services of a global ESG and Corporate Governance research advisory firm.

OBJECTIVES

Engagement objectives include management of sustainability and governance issues that have a material impact on long-term financial performance or that contribute to the achievement of societal targets such as those defined by the United Nations' Social Development Goals (SDGs). Objectives are company specific, and are revised by the oversight committee on a regular basis.

EXECUTION

ESG specific engagements are prioritised based on the materiality of ESG factors identified in the investment analysis and decision-making process and through on-going monitoring of investee companies. More specifically, priority and materiality includes an assessment of potential losses and of the likelihood that engagement will effect change.

Engagement may be active engagement such as meetings, or passive engagement such as written communications and watch lists. AGM driven engagement encompasses pre AGM communications to gain clarity on proposed resolutions, and voting. More detail on our voting processes is found below.

Engagement may also be reactive (in response to a specific event) or opportunistic (attendance at conferences, roadshows or field trips).

As part of our engagement with investee companies, we:

- Meet regularly with the board/senior management and question them on their strategic priorities and any areas of particular interest or concern;
- Keep up to date with each company's financial and non-financial performance, the main drivers of each, and risk factors (both internal and external as well as financial and non-financial, including ESG factors) which are, or may in the future, impact these;
- Encourage that the leadership of each investee company and its corporate governance structures to adhere to best practice (taking into account the jurisdiction in which they operate); and
- Exercise voting rights in a manner which supports our investor's best interests.

Engagement activities are recorded, including the objective of the specific engagement, and progress and outcomes of these activities are monitored over time. An oversight committee reviews and provides a point of escalation for engagement activities. Escalation may include targeting personnel higher in the corporate hierarchy, collaborating with other investors or voting against resolutions at the AGM.

Engagement is tracked for up to 3 years, before the oversight committee is tasked considers discontinuing with the engagement.

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

All the conversations with companies are generally confidential but, if appropriate, the Investment Team will include some detail of its engagement activities on Pengana's website or through quarterly reports and marketing presentations.

CORPORATE GOVERNANCE AND VOTING PRINCIPLES

Our overarching belief is that good corporate governance is directly linked to investment value and that it is achieved by applying recognised principles, such as the ASX Corporate Governance Principles and Recommendations. While accepted standards of corporate governance differ between markets we believe that there are sufficient common threads globally to identify an overarching set of principles. Our view is that exercising voting rights may have the power to influence corporate governance and policy of investee companies and we are committed to being an active investor, by voting on shareholder issues and participating in collective engagement activities.

We have developed a set of guiding principles to help guide us in performing our duties in relation to voting.

BOARDS

We believe that:

- Boards should be comprised of a majority of independent directors;
- Chairs should generally be an independent director, or where the Chair is not an independent director he/she should not also be the CEO;
- The majority of non-executive directors should not be affiliated to management or dominated by representatives of a major shareholder(s);
- 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.

We may withhold support from director elections in the following instances:

Information

- Insufficient information on the Board or where biographical details on proposed directors are not provided;

Independence

- The nominee is not considered to be independent; the number of independent directors on the Board is less than the number recommended by the local best practice standard, or independent directors constitute less than one-third of the board;
- The nominee is a non-independent director on an audit, remuneration or nomination committee which does not have the required number of independent director;

Commitment to the board

- The number of directorships held by the nominee is excessive and/or the director has not devoted sufficient time to the company during the relevant year;
- Concerns about a director(s) execution of their responsibilities;
- To signal concerns about the company's governance or performance;

Board structure

- The position of Chairman and Chief Executive are held by one person and the risk is not mitigated by a Senior Independent Director and a majority independent Board;
- Where a Board has not established audit, remuneration or nomination committees;
- Composition of the Board does not reflect necessary diversity

Election

- Directors do not stand for election by shareholders on a regular basis;
- The election of several directors is bundled into one resolution.

AUDIT AND REPORTING

We believe that:

- The Board should provide an integrated annual report puts historical performance into context, and portrays the risks, opportunities and prospects for the company in the future, helping investors understand a company's strategic objectives and its progress towards meeting them;
- Audit committees should be comprised wholly of independent directors, or if this is not possible a majority;
- Audit committee chairs 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.

We may withhold support from approval of Reports & Accounts and audit-related resolutions in the following instances:

Disclosure

- Non provision of the audited accounts in a timely manner;
- Concerns about the integrity of the information reported;
- Non-reporting of material ESG performance, particularly in high risk sectors and or where sectorial peers are able to report;

Audit Integrity

- Where an executive director is a member of the Audit Committee;
- Non-audit fees are significantly higher than audit fees and no reasonable explanation is provided;
- The Audit firm has been in place for a number of years and no retendering of audit services has been conducted by the Company or there has been no audit partner rotation for a significant number of years.

REMUNERATION

We believe that:

- Remuneration committees should consist of a majority of independent directors;
 - Annual Reports should provide full and comprehensive information on the company's remuneration policy and practices and cover all the elements of remuneration, including salary, annual bonus, benefits, share-based compensation, pensions and details of executive service contracts including notice periods and compensation payable on termination. This information should be provided on an individual basis;
 - 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. Performance related remuneration should be subject to defined and relevant performance criteria which should be disclosed to shareholders; and
- 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.

We may withhold support from remuneration proposals in the following instances:

Disclosure

- Poor disclosure of remuneration policy and practices;
- Incomplete disclosure of performance metrics underpinning performance-related remuneration;

Variable remuneration

- Performance targets which are not relevant or challenging;
- Executive options granted at a discount i.e. priced below prevailing market price;
- Performance conditions do not include relevant environmental and social metrics for relevant sectors;
- The performance period for a long-term scheme is shorter than three years;
- Repricing of 'underwater' stock options;
- The company engages in option award backdating;
- Excessive dilution of shareholder equity through the issuance of shares for share incentive schemes;
- Rewards granted are not justified by the Company's performance

Termination payments

- Compensation payable on termination is excessive or not in line with market practice;
- Contains gratuitous retirement payments or unearned retirement sweeteners not provided to employees generally;
- Allows triggering of change in control payouts without loss of job or substantial diminution of duties;
- Enhanced compensation on change of control of the company;

Specific remuneration issues

- Remuneration is based on inappropriate peer comparisons;
- Pay for senior executives is out of line with pay conditions for the general workforce.

SHAREHOLDER RIGHTS

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.

We may withhold support from approval resolutions that impact on shareholder rights in the following instances:

Voting rights

- measures that dilute the voting rights of any shareholder by giving certain shareholders voting rights in excess of their economic interests;
- proposals that cap shareholders' voting rights once ownership of a certain percentage of shares is reached;
- multi-class capitalisation structures created to provide a particular class of shareholders with disproportionate voting rights;
- supermajority voting requirements intended to limit the ability of shareholders to effect change by effectively providing a veto to a large minority or a group of minority shareholders;
- unduly restrictive shareholder disclosure policies which have the potential to deprive shareholders of their voting rights;

Anti-takeover provisions

- poison pills which deter takeovers by granting the Board to ability to issue additional dilutive shares in the event of a bid;
- transactions which transfer the legal title of a key asset to a friendly foundation and have the effect of frustrating a takeover bid;

- proposed repurchase of the company's shares during a bid period at a price that is significantly higher than the fair market value of the shares;
- blank-cheque preferred shares which may be used as a takeover defence or may be placed in friendly hands to help block a potential takeover bid;

Pre-emption rights

- proposed issuance of new shares with or without pre-emptive rights that are either in excess of the market norms or are not justified

Mergers & acquisitions

- Where our fund managers believe that the transaction is not in the long-term interests of shareholders.

ENVIRONMENTAL AND SOCIAL ISSUES

- Companies should disclose their approach to management of material environmental and social risks;
- Board should have clear responsibility of the management of material environmental and social risks;
- Companies should articulate and disclose the values that underpin the desired culture within the entity;
- Where relevant to the sector, companies should report their approach to human and labour rights, including health and safety and approach to management of modern slavery issues in their supply chain;
- Where relevant to the sector, companies should report in line with the disclosure programmes of the Carbon Disclosure Project and other initiatives to improve information to the market;
- Charitable and political contributions and membership of trade associations should be disclosed and be in line with the long-term interests of the company and its shareholders.

We may withhold support from relevant resolutions including approval of Reports & Accounts, director elections and remuneration proposals in the following instances:

Disclosure

- Non-disclosure of quantitative and qualitative information (and where appropriate targets) on key environmental and social issues of relevance to the company, particularly in high risk sectors and or where sectorial peers are able to report;
- Failure to participate in the Carbon Disclosure Project disclosure programmes for companies in high risk sectors;

Performance

- A material failure in the management of environmental and social risks with resulting negative impacts on the company and stakeholders including employees, customers and communities ‘
- Material breach of one or more Principles of the UN Global Compact;
- Support for lobbying positions contrary to the long-term interests of the company and its investors;
- Companies in high risk sectors with no Environmental or Social performance metrics in performance related pay.

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.

VOTING EXECUTION AND OVERSIGHT

An oversight committee comprised of members of the Investment Team and Risk Team meets at least quarterly and agenda items include review of voting records and consideration of engagement opportunities.

The Investment Team is responsible for overseeing the implementation of the policy and the Ethical Analyst reviews proxy resolutions and makes voting recommendations. Pengana's Operations team co-ordinate the execution of the voting process.

Our voting records are updated quarterly and available on Pengana's website.

SECURITIES LENDING

Pengana does not participate in stock lending for any securities held in the Pengana International Strategy portfolios.

COMPANY DIALOGUE AND ESCALATION

Pengana's International Equities Team holds regular discussions with the Board and management of investee companies on a range of topics including the company's strategy, operational performance, and executive/Board performance.

Our general policy is to be supportive of companies in which we invest. However, where we have concerns that have not been or cannot be adequately addressed by a company's management, we will bring the issue to the attention of the Chairman and other non-executive directors.

If we are unable to resolve the issue through engagement, we may consider using our ownership rights to vote against relevant resolutions or, submit resolutions at shareholders' meetings or requisition an extraordinary general meeting. We may also act in conjunction with other shareholders

REVIEW AND ASSESSMENT

This Policy is reviewed and updated from time to time to ensure that it remains relevant, current and compliant with all applicable laws, and guidance notes.

DATED: 17 DECEMBER 2020