



Proxy Voting Policy

April 2019

1. INTRODUCTION

- 1.1 Magellan Asset Management Limited (**'Magellan'**) recognises its fiduciary obligation to act in the best interests of all clients. One way Magellan represents its clients in matters of corporate governance is through the proxy voting process.
- 1.2 This policy sets out Magellan's approach to proxy voting in the context of portfolio management, client service responsibilities and corporate governance principles.

2. GUIDING PRINCIPLES

- 2.1 The objective of Magellan's Proxy Voting Policy is to promote the economic interests of its clients. Magellan considers that proxy voting rights are an important power, which if exercised diligently can enhance client returns, and should be managed with the same care as any other asset managed on behalf of its clients.
- 2.2 At no time will Magellan use the shareholding powers exercised in respect of its clients' investments to advance its own commercial interests at the expense of clients' interests, to pursue a social or political cause that is unrelated to clients' economic interests, or to favour a particular client or other relationship to the detriment of others.
- 2.3 The exercise of proxy voting rights is only one aspect of Magellan's investment management process. Magellan also participates in and influences corporate decision-making in other ways. For instance, it regularly communicates with the senior management of companies to discuss matters of strategy, performance, governance, remuneration or approach to risk management, and collectively with other investors to ensure companies are aware of concerns.
- 2.4 A primary aim of this Policy is to encourage a culture of performance among investee companies, rather than one of mere conformance with a prescriptive set of rules and constraints.
- 2.5 Magellan's aim is to review shareholder resolutions of investee companies on a case by case basis. Magellan will elect to exercise its voting rights when it has the authority and when it deems it appropriate to do so.
- 2.6 In exercising its voting discretion, Magellan may take into account the following:
 - (a) Magellan does not intend to become involved in the day to day management issues of companies, but rather exercises voting rights to ensure that companies act in the best interest of their shareholders;
 - (b) Magellan will exercise voting rights in appropriate cases in order to improve the corporate governance of investee companies;
 - (c) the size of holding and the likelihood that exercising voting rights will influence the outcome of the resolution;
 - (d) the nature of the matter at hand;
 - (e) the advantage which may result from exercising voting rights including whether it will advance investment objectives;
 - (f) any institutional client instructions as to exercising voting rights, whether for particular companies or particular issues;
 - (g) other legal and ethical considerations, such as whether there may be any actual or potential conflict of interest in exercising voting rights; and
 - (h) possible actions which may be taken instead of, or as well as, exercising voting rights, such as liaising with management, taking steps to initiate shareholder legal action or joining with other shareholders to take collective action or where the collective action will generate significant media interest.
- 2.7 Magellan uses its best efforts to vote proxies, however in certain circumstances it may be impractical or not possible to do so. These circumstances include, but are not limited to, the following:
 - (a) Untimely notice of shareholder meetings;
 - (b) Markets that require securities to be "blocked" or registered to vote at a company's meeting; and
 - (c) Power of attorney documentation is required.

3. PROXY VOTING COMMITTEE

3.1 Magellan has formed a Proxy Voting Committee comprised of the following staff:

- Chief Executive Officer
- Chief Investment Officer (or Deputy Chief Investment Officer as alternate)
- Head of Investments
- Chief Compliance Officer
- Head of Governance & Advisory
- Vice President, Governance & Advisory

3.2 The purpose of the Proxy Voting Committee is to:

- (a) Meet annually to review and approve the Proxy Voting Policy; and
- (b) Meet on an ad hoc basis to discuss conflicts of interest and perceived conflicts of interest in relation to 2.6 and to agree an appropriate course of action in respect of the proxy vote in question.

4. CONFLICTS OF INTEREST

4.1 There may be instances where Magellan's interests conflict, or appear to conflict, with client interests. Magellan's duty is to vote proxies in the best interests of its clients and in accordance with this policy.

4.2 Conflicts of interest or perceived conflicts of interest are reviewed by Magellan's Governance & Advisory team who provide a voting recommendation to Magellan's Proxy Voting Committee. The Proxy Voting Committee reviews the recommendation and may determine steps to manage the potential conflict if required. Possible resolutions may include:

- (a) Vote in accordance with the recommendations of a third party research provider; or
- (b) Refrain from exercising its proxy voting rights; or
- (c) Disclose the conflict to the client and obtain the client's direction to vote the proxies (refer to section 5.2 below).

5. CLIENT DIRECTIONS

5.1 The implementation of Magellan's voting policy is always subject to any directions from its clients. Generally, Magellan does not seek the views of clients before exercising its discretion to vote or initiating shareholder action as to individual issues. This is primarily due to the time constraints usually experienced in exercising proxy votes, the number of clients and the often routine nature of many voting issues.

5.2 Some clients will from time to time direct Magellan on specific proxy voting issues, including where Magellan has disclosed a conflict of interest to a client. Magellan will implement that direction to the extent that it is able and subject to the terms of the applicable Investment Management Agreement.

6. PROCEDURES

6.1 Magellan's internal Governance & Advisory group is responsible for the analysis of proxy proposals, proxy voting recommendations and the lodgement of proxy votes with reference to Magellan's Corporate Governance Principles¹.

6.2 On company-specific matters, Governance & Advisory will consult with the research analyst covering the company.

6.3 All voting recommendations put forward by Governance & Advisory will be reviewed by the Portfolio Manager(s).

6.4 In circumstances where Portfolio Managers do not unanimously support the voting recommendation put forward by Governance & Advisory, following consultation with the Portfolio Managers, the Head of Governance & Advisory will make the final voting decision. This process may (or may not) result in different voting outcomes across different investment strategies depending on the relevant strategy's investment objective or other factors that differentiate it from other strategies.

6.5 Upon finalisation of proxy vote elections, Governance & Advisory will lodge votes directly via an online portal or notify the Custodian of the investment portfolio of the proxy voting election.

¹ Magellan's Corporate Governance Principles outlines Magellan's core principles on corporate governance in respect of its investee companies.

7. REPORTING

- 7.1 Magellan will keep records of its proxy voting activities, directly or through outsourced reporting.
- 7.2 In the case of its institutional clients, and subject to the terms of the relevant Investment Management Agreement, Magellan may be required to report periodically to the client on proxy voting activities for investments owned by the client.

8. PERIODIC REVIEW

- 8.1 This Proxy Voting Policy will be reviewed by the Chief Compliance Officer periodically, but no less than annually, or whenever significant regulatory change occurs.