

## Compliance Policy Manual – October 2010

### 8. Proxy voting

#### Statement of policy ...

JCP assesses all proxy voting issues rigorously. For each issue we assess the impact on a company's long-term valuation i.e. does the issue positively or negatively impact shareholder wealth or has the potential to do so?

We will vote in favour of any proposal that increases shareholder wealth and vote against any proposal that decreases shareholder wealth.

In accordance with client IMAs, proxy voting policy and agreed deliverables, we will advise clients of our intention to vote prior to lodgement of our proxy form. Naturally our client retains a right of veto over all voting issues.

Voting records and all associated documentation are maintained within JCP's Client Relationship Management ("CRM") Proxy Voting database which is administered by JCP's Proxy Administrator. This would include any information which supports decisions taken by JCP in respect of a specific voting issue.

#### Objective ...

JCP's clients may grant JCP the authority to vote the proxies of the securities held in client portfolios. In such cases, JCP's objective is to vote proxies in the best interests of its clients. JCP has adopted this policy to further that objective.

This policy incorporates proxy voting guidelines that have been approved by the Audit & Risk Management sub-committee of the Board ("ARMC") with the objective of encouraging corporate action that enhances shareholder value. Because proxy proposals and individual company facts and circumstances will vary, JCP may not always vote proxies in accordance with this policy.

#### Role of the ARMC ...

The role of the ARMC is to periodically review general proxy-voting matters; review and approve the policy annually; and to provide advice and recommendations on general proxy-voting matters as well as on specific voting issues if required. The ARMC may delegate certain of its responsibilities to subgroups composed of committee members and others.

#### The proxy voting process ...

JCP investment professionals monitor the corporate actions of the companies held in their clients' portfolios. To assist in this process, JCP may, but shall not be obligated to, retain the services of an independent proxy voting service ("IPVS").

The Proxy Administrator is assigned responsibility for various functions, which may include one or more of the following:

- Co-ordinating with client proxy service providers and custodians to ensure that all proxy materials are received in a timely manner;
- Initiating the proxy voting workflow within JCP's proxy voting system which alerts and forwards to JCP's investment professionals the details of each proxy event;
- Monitoring the workflow and subsequently reviewing proxy votes for completeness;
- Submitting voting with client proxy service providers;
- Recording the voting of the proxies within JCP's proxy voting system in accordance with this policy; and
- Escalating material conflicts of interest to the ARMC.

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#### Material conflicts of interest ...

Material conflicts of interest are avoided by voting in accordance with JCP's policy.

Examples of such material conflicts of interest that could arise include circumstances in which: (i) management of a JCP client or prospective client, distributor or prospective distributor of its investment management products, or critical vendor, is soliciting proxies and failure to vote in favour of management may harm JCP's relationship with such company and materially impact JCP's business; or (ii) a personal relationship between a JCP officer and management of a company or other proponent of a proxy proposal could impact JCP's voting decision.

When a potential material conflict of interest has been identified, the Proxy Administrator will flag the conflict with the relevant investment professionals and notify compliance. In the event that a potential material conflict of interest is determined to exist and relevant vote is not in accordance with JCP's adopted policy, then the vote is to be escalated to JCP's ARMC.

The ARMC will review the material conflict and the resulting vote will be documented in order to demonstrate that JCP acted in the best interests of its clients.

#### Recordkeeping ...

JCP is required to keep proxy voting records for seven years, including the following:

- JCP's Proxy Voting Policy;
- Client proxy voting policies and associated correspondence;
- A record of each vote cast on behalf of JCP client holdings;
- A copy of all documents created by JCP personnel that were material to making a decision on the voting of client securities, if applicable; and
- A record of client correspondence requesting information on JCP voted proxies and relevant responses.

#### Proxy voting Q&A ...

##### **What framework does JCP use to assess resolutions?**

The essential framework that our analysts use in voting on resolutions is the ASX's Corporate Governance Principles and Recommendations which we fully support. This is supplemented by JCP's own Executive Remuneration Policy Statement.

##### **What process do JCP's analysts follow in making their assessment?**

All resolutions put to any general meeting of a company in which we have an investment are summarised on an electronic proxy voting form which is circulated and tracked using Microsoft SharePoint.

If a vote in favour of a resolution would result in non-compliance with any of the eight ASX principles, analysts are required to exercise judgment as to whether, in the circumstances, non-compliance is defensible and acceptable e.g. as a result of a company's size.

Similarly, when voting specifically on executive remuneration, analysts are required to ensure that resolutions are consistent with our Executive Remuneration Policy.

If compliance with either the ASX Principles or JCP Executive Remuneration Policy is debateable, discussion with the Head of Research is required to take place.

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#### Proxy voting Q&A (continued) ...

#### **What factors do JCP's analysts consider in making their assessment (e.g. independent board, executive remuneration)?**

The factors taken into account by the analysts are those enumerated and detailed in the ASX's Corporate Governance Principles & Recommendations, JCP's ESG Policy and Executive Remuneration Policy.

Factors to be taken into account specifically in connection with Executive Remuneration are contained within proxy voting forms via a checklist that must be completed as part of the voting process.

#### **Does JCP use any 3rd party proxy voting providers?**

We do not currently use any external providers for proxy voting advice on voting for resolutions. We use ProxyEdge and Proxy Exchange (Riskmetrics) purely for accessing meeting notice information and for lodging our voting decisions for client portfolios.