

Prime Super Proxy Voting Policy

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Authorised By	Board Processes

1 Glossary

APRA	Australian Prudential Regulation Authority
ASFA	Association of Superannuation Funds of Australia
AGM	Annual General Meeting
Board	The Board of Directors
Director	A director of Prime Super Pty Ltd
Fund	Prime Super
Investment Manager	The entity employed by the Fund to manage the Fund's investment in Australian Equities
IMA	Investment Management Agreement
RAS	Prime Super's Risk Appetite Statement
RMS	Prime Super's Risk Management Statement
Secretariat	Management staff of Prime Super Pty Ltd
SPS 530	APRA's Prudential Standard SPS 530 – Investment Governance
Trustee	Prime Super Pty Ltd

2 About This Policy

Prime Super Pty Ltd, the Trustee, is responsible for the sound and prudent management of the investments of the Fund (paragraph 5, SPS 530).

The Trustee must at all times have an investment governance framework to manage investments to meet its obligations to beneficiaries. This framework must include all Trustee Board policies relating to investment activities (paragraphs 8 and 11, SPS 530).

This policy forms one of these policies.

In addition, the governance framework must include an investment strategy of the Fund (paragraph 11, SPS 530). Under the Fund's investment strategy, the Trustee's responsibilities include making appropriate investment decisions.

This policy assists the Trustee in making these investment decisions.

3 Effect of this Policy

Prime Super Pty Ltd is responsible for the efficient and prudent management of the Fund of which it is Trustee.

Deliberate failure to comply with this strategy by a service provider is considered a breach of the service provider agreement.

Deliberate failure to comply with this strategy by an employee is considered a breach of the employment contract.

Deliberate failure to comply with this strategy by any Director is considered a breach of terms of that Director's appointment with Prime Super Pty Ltd.

4 Using This Policy

This policy deals with the voting on Australian Equity Investments. The Fund's Australian Equity investments are held via segregated portfolios, with the underlying shares held by the Trustee's custodian. The Trustee is able to lodge its voting directions for these shares.

The Fund's International Equities are held via pooled funds, where the manager of the pooled fund has the capacity to exercise voting rights, not the Trustee. This policy does not apply to shares held by the Fund in International Equities.

This document is to be read in conjunction with the Risk Management Strategy (RMS) and Risk Appetite Statement (RAS). These documents outline the material risks associated with the business operations of the Fund and articulate the Trustee's tolerance limit in respect of each individual risk.

5 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.

This policy 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.

5.1 Voting Principles

Poor governance practices may deliver diminished investment value over the longer term. Voting rights are a means by which the shareholder may influence a range of risks that can arise where the interests of the Board and management diverge from that of shareholders.

As a result, the Trustee aims to vote on all resolutions at annual and extraordinary general meetings held by companies in which it beneficially owns shares in a manner that maximises shareholder value.

In exercising these voting rights, the Trustee believes that:

- The Board of a company:
 - is the representative of the shareholders and is accountable to shareholders for the company's performance;
 - should consist of individuals with the capacity and skills to assist the Board in meeting its strategic aims;
 - should be comprised of a majority of independent directors; and
 - has the ultimate responsibility to maximise the return of shareholders;
- In relation to changes to the company's constitutions and capital structures, shareholders should retain overall control of the capital structure of the company, including the authority to approve any division of that structure into different classes of shares. Where possible, shareholders should be treated equally and dilution of existing shareholders should be limited. Any valuations should be fair and reasonable; and
- Remuneration of the Board and management of a company is a critical matter for shareholders:
 - the aim of remuneration arrangements is to attract, motivate and retain the right people;
 - such arrangements should encourage and reward long term outperformance, not below average performance or failure;
 - long term performance should be the main driver in performance payments, not short term gains;
 - that there is not an excessive transfer of wealth to executives and directors at the expense of shareholders; and
 - how executives are remunerated is a proxy for the relationship between the Board and executives, and provides insight into the oversight responsibilities of the Board.

The Trustee applies these underlying principles on a case-by-case basis to each proxy voting decision taking into account the circumstances of the company and the commercial realities of the voting outcomes. The Trustee's overriding consideration is ensuring shareholder rights and value are protected.

5.2 Board Responsibility

Although the Trustee Board has established an Investment Committee to monitor the investment function of the Fund, all Trustee Directors will have the opportunity to participate in the proxy voting responsibilities of the Fund. This will ensure that all views on the management of a company are considered.

5.3 Social Responsibility

It is also acknowledged that a social responsibility is attached to being a shareholder of a listed company. Whilst it is the responsibility of the Trustee to maximise the long term retirement savings of the members of the Fund, it is also acknowledged that, where possible, social responsibility will also be taken into account.

6 Investment Managers

The exercise of the shareholder voting rights will be undertaken by the Trustee.

The Trustee delegates the exercise of these rights to the Investment Managers, while retaining the right to override and vote differently to the managers should this be considered appropriate.

An investment management agreement (IMA) is executed by the Trustee with each Investment Manager. Under these agreements, the Trustee delegates the voting function to the managers.

Each Investment Manager's proxy voting policy and voting history is reviewed on an annual basis as part of the Fund's Compliance Review.

7 Proxy Advice and Research

The Trustee utilises two sources of advice in the process of making a decision on a vote to be cast at a meeting of a company:

- advice from the Investment Manager that holds the shares on behalf of the Trustee; and
- research and advice from the independent research adviser.

The Investment Managers utilised by the Fund provide proxy voting services to the Trustee, and in-turn provide advice on the casting of votes at company meetings.

The Trustee has appointed an independent proxy voting research adviser to assist in the overall review and assessment of voting obligations on all companies invested in by the Fund, and to provide voting recommendations and research on all of the Trustee's voting resolutions.

The research adviser is appointed after an appropriate due diligence review, including the assessment of independence, the quality of research provided, and the effectiveness of proxy vote recommendations.

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

In principle the Investment Manager has been instructed to vote on all proxy voting opportunities. The Trustee will review the vote to be cast by the Investment Manager, before it is cast, and compare this to advice from the independent proxy voting research adviser, and where there is a difference in the proposed vote, the Trustee will determine the most appropriate proxy vote to cast.

8 Voting Application

Detailed below are examples of key areas of how the Trustee will in general exercise a right to vote at a meeting of a company, and exercise the voting principles as outlined in this policy. Where an issue arises outside these principles, the Trustee's overriding consideration will be to ensure shareholders rights and value are protected.

8.1 Appointment of Directors

The Board of a Company is the representative of the shareholders and is accountable to the shareholders for the company's performance. The Board is responsible for appointing the CEO and senior management of the Company and overseeing their performance as well as the strategic plan of the company.

When considering the election or re-election of directors, the Trustee considers the following:

- Board and/or company performance;
- Composition of the Board and/or committees;
- The capacity of individual directors given other commitments;
- Remuneration practices; and
- The level of non-audit fees.

In considering any appointment to the Board, the Trustee will consider a director's capacity to deal with a crisis in one or more of the companies on which the person is a director. The Trustee views this capacity as an issue of risk management. It is the Trustee's preference that directors hold no more than four Board positions (where chairing a listed company counts as two directorships). In addition, the Trustee will generally not support the election of a director, where that individual has an executive position within another listed entity.

8.2 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 take into account the performance of the company, as well as the size and complexity of the company and its operations.

8.3 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 maximizing shareholder value.

8.4 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.

8.5 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.

8.6 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.

8.7 Two Strikes

Companies holding their AGMs from 1 July 2011 are subject to the ‘two strikes’ rule. The Trustee will approach this rule and the resolutions attaching to it on a case-by-case basis.

Should a company receive two strikes on their Remuneration Report, a spill resolution will be put to shareholders to support, or otherwise the holding of an Extraordinary General Meeting to consider the re-election of directors. Here the Trustee would consider the remuneration practices of the company and consider what is in the best interests of shareholders. The Trustee is conscious of the impact of all directors available for re-election not being reappointed.

8.8 Changes to Capital Structure

Changes to a company’s capital structure include company share buy-backs, schemes, mergers and acquisitions and other related issues. In analysing these proposals, the Trustee will consider whether the shareholders retain overall control of the capital structure of the company.

8.9 Accounts

Companies are required to submit their financial statements, director’s reports and auditor reports to shareholders, however they are not obliged under the Corporations Act to seek shareholder approval for these statements. Where shareholder approval is sought, the Trustee will rely on the independent auditor’s assessment of the financial statements and whether the auditor’s report has been qualified.

8.10 Auditors

In considering the appointment or reappointment of an auditor, the Trustee will consider the level of audit fees versus non audit fees, the tenure and rotation of lead auditors and the rationale for changing auditors.

8.11 Constitution

These resolutions require support from 75 percent of the votes cast. The Trustee will consider the following:

- whether the shareholders approve any division of that structure into different classes of shares;
- whether the proposal distorts the one-share, one-vote principle;
- whether the company proposes to exercise the right to direct profits or allocate company assets in a non-uniform manner without shareholder consent; and
- Is the company seeking to alter the constitution which will create barriers to takeover bids, reduce shareholder rights in other ways, or renew the “proportional takeover” clause.

8.12 Shareholder Proposals

These resolutions may include the request for additional disclosure by companies regarding environmental, social and governance aspects of a company’s activities.

The Trustee will consider proposals of this nature on a case-by-case basis. Its view is that day-to-day management and policy decisions should be left to management and the Board.

9 Voting Process

The Secretariat manages the Trustee’s proxy voting responsibilities, and liaises with the members of the Trustee Board to determine the voting positions based on the voting principles and social responsibility detailed in this policy.

The Trustee will vote on all company resolutions of the Australian Equity investments beneficially held by the Fund. The Trustee will vote on these resolutions through a combination of votes cast directly by the Trustee, and votes cast by the Investment Managers on behalf of the Trustee.

Where the Trustee wishes to cast its vote directly, the Trustee Board members will consider the research provided by the research adviser and any other available information, apply the voting principles and consider the social responsibility detailed above, and provide their voting intentions to the Secretariat.

Where an Investment Manager votes on behalf of the Trustee, the Trustee Board will review all resolutions where the voting intention of the Investment Manager differs from the voting recommendation of the research adviser. The Trustee Board members will consider the research provided by the research adviser, apply the voting principles and consider the social responsibility detailed above, and provide their voting intentions to the Secretariat.

The Secretariat will receive the voting intentions of the Trustee Board, either to be cast directly or after the review of the voting intentions of the Investment Managers. The Secretariat will ensure the voting intentions of the Trustee Board are appropriately registered, including by overriding the voting instruction of the Investment Manager if required. All votes are lodged electronically.

The detailed Proxy Voting procedures are located at Appendix 1.

10 Conflicts of Interest

Any determination made by a Director under this policy must comply with the requirements of Prime Super's Conflicts of Interest Policy.

APPENDIX 1

PROXY VOTING PROCEDURES

Introduction

- 1 The Secretariat will manage the Trustee's proxy voting responsibilities.
- 2 The Trustee will vote on all company resolutions of the Australian Equity investments beneficially held by the Fund. The Trustee will vote on these resolutions through a combination of votes cast directly by the Trustee, and by votes cast by the Investment Managers on behalf of the Trustee.

Votes to be cast directly by the Trustee

- 3 Where the Trustee Board wishes to cast a vote directly, the Secretariat will provide the Trustee Board with any information required. This may include, but is not limited to, the following:
 - Full details of the resolution;
 - Company voting recommendation;
 - Investment Manager voting intention and instruction;
 - Secretariat voting recommendation; and
 - Research adviser recommendation and research.

Votes to be cast by the Investment Manager on behalf of the Trustee

- 4 Where an Investment Manager votes on behalf of the Trustee, the Secretariat will receive regular reporting from the research adviser, providing full details in relation to the upcoming resolutions of shares beneficially held by the fund.
- 5 The Secretariat will provide the Trustee Board weekly via e-mail (more frequently if required), full details in relation to the upcoming resolutions, where the voting intention of the Investment Manager differs from the voting recommendation of the research adviser, including the following for each resolution:
 - Full details of the resolution;
 - Company voting recommendation;
 - Investment Manager voting intention and instruction;
 - Secretariat voting recommendation; and
 - Research adviser recommendation and research.

Registering the voting intentions of the Trustee Board

- 6 Each member of the Trustee Board will respond to the Secretariat with his/her voting intentions, within the time advised by the Secretariat (in order to meet the required voting cut-off dates and times):
 - Each Director will make an assessment on a vote taking into account the recommendations and research provided;
 - Each Director will notify the Secretariat via e-mail of his/her voting intentions;
 - Where a voting intention of a Director differs from the voting recommendation of the research adviser, the Director will provide the reason for this decision; and
 - The Secretariat will collate the voting intentions of the Directors and determine the intention of the Trustee Board on a majority rules basis.
- 7 The Secretariat will ensure the voting intentions of the Trustee Board are registered weekly (more frequently if required) before the cut-off dates and times:
 - Where the voting intention of the Trustee Board is equivalent to the voting instruction of the Investment Manager, no further action is required; and
 - Where the voting intention of the Trustee Board differs from the voting instruction of the Investment Manager, the Secretariat will override the voting instruction of the Investment Manager.
- 8 The Secretariat will register a vote either by:
 - Instructing the Investment Manager to vote in line with the Trustee's wishes; or
 - Voting directly via the research adviser's Proxy Voting platform, and advising the Investment Manager accordingly.
- 9 The Secretariat will compile and document the Fund's Proxy Voting decisions and activities.
- 10 The Secretariat will report on the recent period's Proxy Voting activities at each board meeting.
- 11 The Trustee will disclose the Proxy Voting Policy and results of its Proxy Voting as and when required by legislation.