



RQI Investors Corporate Governance and Proxy Voting Policy

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Table of contents

1.	Introduction	4
2.	Purpose of the Policy	4
3.	Corporate Governance Principles	5
4.	Company engagement	5
5.	Voting on Company Resolutions	5
6.	Non-Voting Situations	6
7.	Proxy Voting Record and Client Reporting	7
8.	Conflicts of Interest	7
9.	Mandate Clients	7
10.	Review and Approval Schedule	8
	Appendix 1 – Glass Lewis Policy Guidelines in each market	9
	Important information	10

1. Introduction

This document details RQI Investors' ('RQI') policy in relation to Corporate Governance and Proxy Voting¹.

RQI was established in 2008 as a manager providing systematic equity solutions, and manages portfolios across Australian, Australian Small, Global Large and Small and Emerging Market strategies. It is a fully-owned subsidiary of First Sentier Group and ultimately Mitsubishi UFJ Financial Group (MUFG). RQI is an autonomous business with its own board, brand, and AFSL license, which provides institutional clients² with end-to-end solutions whilst leveraging the support services of First Sentier Group (FSG).

Broadly speaking, this policy addresses three topics:

- how RQI assesses corporate governance and responsible investment (RI) practices by investee firms;
- how RQI engages with investee firms to gain further information on their governance and RI activities and to promote good practice;
- how RQI casts proxy votes at shareholder meetings.

2. Purpose of the Policy

The purpose of this policy is to ensure that RQI fulfils its stewardship responsibilities to unit holders and clients in managing their investments as an active owner in accordance with their stated investment objectives.

The focus of this policy is to describe how RQI promotes both effective governance and responsible investment practice by investee firms, to maximise long-term shareholder value for our clients and unit holders. In doing so we recognise the important role of environmental, social, and governance practices in shaping long-term outcomes, both positive and negative. Company engagement and shareholder (proxy) voting are the two main interventions available for influencing these practices, and each is detailed in subsequent sections.

Furthermore, RQI is committed to the United Nations Principles of Responsible Investment³ (UNPRI), and this policy describes how RQI addresses the second and third of those six principles.

UN PRI Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

UN PRI Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

¹ RQI Investors was formerly known as Realindex Investments.

² For the purposes of section 761G of the Corporations Act 2001, the clients of RQI are considered to be "wholesale clients".

³ See <https://www.unpri.org/about-PRI/what-principles-for-responsible-investment>

3. Corporate Governance Principles

This section sets out activities that define effective corporate governance and which therefore inform RQI's assessment of individual firms in this regard.

Corporate governance refers to the procedures and processes according to which an organisation is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation – such as the board, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making⁴.

Consistent with the ASX Corporate Governance Principles, good corporate governance practices allow the board and management to effectively operate the company, while managing conflicts of interest and addressing arising issues, by:

- Setting and monitoring strategy, financial policies, disclosure, legal issues, corporate standards and conduct;
- Appointing and monitoring the CEO, and providing oversight of corporate and senior management performance, corporate culture and conduct (including a company's risk culture);
- Proactively managing relationships with shareholders and other stakeholders interested in the affairs of the company (such as employees, communities, customers, suppliers, creditors, debt financiers, analysts, auditors, and regulators); and
- Identifying the company's material risks (both financial and non-financial) and maintaining oversight of the company's risk management framework to ensure material risks are being monitored, disclosed, managed and controlled in the interests of the company and other stakeholders.

4. Company engagement

RQI primarily invests through a range of systematic strategies, which uses a quantitative approach to construct portfolios.

Whilst engaging with the management of the companies that it invests in is not central to the investment process, engagement with company management on material or contentious ESG issues is an important overlay to this process.

In addition, RQI may also participate in collaborative engagement initiatives with companies co-ordinated by the FSG Responsible Investment team and/or other investment teams within FSG, where such initiatives are considered to be in the best interest of RQI's clients.

5. Voting on Company Resolutions

Voting on company resolutions is an important part of the stewardship responsibility in managing client shareholdings, and RQI's fiduciary duties naturally include acting in the best interests of clients when voting client proxies.

⁴ Taken from the OECD definition <https://www.oecd.org/corporate/principles-corporate-governance/>

RQI will generally vote its proxies in accordance with Glass Lewis Benchmark Policy Guidelines in each market (Appendix 1). In the following situations, we wish to apply a higher level of corporate governance than is afforded in the standard policy and so will direct our votes as follows

- Require a higher standard in relation to board diversity, requiring at least 30% female representation in mid and large cap companies and require at least one woman on the board for small cap companies;
- Oppose reincorporation of the company in a tax haven;
- Oppose election of nominees if there is excessive board tenure and no board renewal in the last 5 years.

An additional assessment of proxy voting may be undertaken by RQI when a shareholder meeting includes a contentious issue. This review is undertaken using input from leading proxy voting advisors such as Glass Lewis, ESG research from providers such as Sustainalytics, ISS, advocacy groups, the FSG Responsible Investment team, other active investment teams within FSG, and other sources as appropriate. The Peer Review Committee then determines how the proxies are voted by considering the best interests of clients.

Such contentious meetings are identified through numerous sources including, but not limited to, proxy advisers such as Glass Lewis, ESG research providers, shareholder proposals, and internal research from FSG's Responsible Investment team. The following issues may indicate that a meeting is contentious:

- Re-election of a director subject to recent scandal/media interest;
- Re-election of a director subject to significant protest vote at recent other meetings;
- Activist/major shareholders publicly announcing protest votes;
- Shareholder resolution/non-management sponsored resolution on ballot;
- Known controversy at company;
- Significant market disappointments, such as large guidance downgrades and surprise write-downs;
- Companies facing serious allegations and involved in controversies
- Climate change related shareholder proposals;
- Management proposal on Say on Climate;
- Lack of climate targets and disclosures by the company
- Modern slavery concerns;
- Gender diversity.

RQI reserves the right to override Glass Lewis' vote recommendations when it considers doing so to be in the best interests of clients.

6. Non-Voting Situations

All company meetings are voted upon with the following exceptions:

- Client's best interest.** There may be occasions when RQI determines that not voting a proxy may be in the best interests of a client; for example, when the cost of voting the proxy exceeds the expected benefit to the client. In such cases votes will not be cast.

- b. **Mandate clients** where other written instructions exist (see section 9 below)
- c. **Share blocking.** In certain markets/meetings, once a vote instruction is sent, you are blocked from trading the position by the custodian. In these cases, we may abstain from voting.
- d. **Conflict of interest** situations are managed and voted as detailed in section 8 below.
- e. **Securities lending.** If a client allows a third party to borrow their securities, we may not be able to vote on these shares when all or a portion of the shares are on loan.
- f. **Morgan Stanley restriction.** The principles set out in this policy are subject to a restriction in relation to Morgan Stanley securities, which prevents RQI from exercising any discretionary authority to vote attached to a Morgan Stanley security which forms part of investment portfolios that it manages in a fiduciary capacity. The purpose of this restriction is to enable portfolios managed by RQI to hold Morgan Stanley securities in a manner that complies with the Bank Holding Company Act of 1956 (US).

7. Proxy Voting Record and Client Reporting

RQI can provide clients a proxy voting record file at an aggregate level across the portfolios managed by RQI. Clients can also request and schedule the voting record for a particular fund and it will be sent within 10 working days.

8. Conflicts of Interest

Occasions may arise during the voting process in which the best interests of client's conflicts with RQI's interests. Any conflicts of interests will be managed in accordance with FSG's Global Responsible Investment and Stewardship Policy and Principles, and Global Conflicts of Interest Policy. In all cases, RQI will put the client's interests before its own.

Conflicts of interest generally include:

- business relationships where RQI has a substantial business relationship with, or is actively soliciting business from; or
- personal or family relationships whereby an employee of RQI has a family member or other personal relationship that is affiliated with a company soliciting proxies, such as a spouse who serves as a director of a public company. A conflict could also exist if a substantial business relationship exists with a proponent or opponent of a particular initiative.

We utilise the services of professional proxy voting advisors to independently inform our proxy voting decisions which we take on behalf of our clients. In the event that a material conflict of interest is identified in connection with voting a proxy, we will either vote in accordance with the recommendation of the independent proxy or abstain from voting (for example, where two providers are in disagreement).

9. Mandate Clients

The authority and responsibility for exercising proxy votes are defined within the Investment Management Agreement (IMA) executed between RQI and each discrete mandate client. The frequency and content of any reporting to the client is also provided for in the IMA.

Written instructions from mandate clients with respect to proxy votes, whether in IMAs or otherwise supplied, will generally take precedence over the contents of this policy.

Wherever a mandate client delegates responsibility for exercising proxy votes, RQI will report back to the client how votes were cast on their behalf if requested by the client.

10. Review and Approval Schedule

This policy is to be reviewed every two years. It should be approved by the Chief Executive of RQI.

Appendix 1 – Glass Lewis Policy Guidelines in each market

<https://www.glasslewis.com/policy-guidelines>

Important information

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