



# PROXY VOTING POLICIES AND PROCEDURES

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2010	04 October 2010	Management
2014	13 June 2014	Chief Risk Officer
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# 1 BACKGROUND

Companies should have as their objective the maximization of shareholder wealth, thereby contributing to the economy. Shareholders, as providers of equity capital, are the ultimate owners of companies.

Eastspring Investments seeks to add value for its clients by pursuing an active investment policy through portfolio management decisions, through voting on resolutions at general meetings and by maintaining a continuing dialogue with company management. Meetings with companies will therefore occur on a regular basis. This enables us to monitor company development over time and assess progress against objectives.

As an investment adviser registered with the U.S. Securities and Exchange Commission, Eastspring Investments (Singapore) Limited (“Eastspring Investments Singapore” or “the Company”) adopted this policy in accordance with the provisions of Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended and Rule 30b1-4 under the Investment Company Act of 1940, as amended (the “1940 Act”).

In regard to our management of Japanese equities, we have adopted the principles and guidance as stated in Japan’s Stewardship Code. In regard to managing Singapore Equities, our investment approach is aligned with the Singapore Stewardship Principles. We also have the fiduciary duty to fulfill proxy voting obligations under Employee Retirement Income Security Act of 1974 (ERISA) for our ERISA clients. Please refer to Appendix A: Proxy Voting Obligations in relation to ERISA clients.

# 2 VOTING POLICY

We follow a principles-based approach. All votes we exercise are considered in the context of the principles as set out in our proxy voting policy.

As a general policy we are supportive of the management of the companies in which we invest. However, when companies consistently fail to achieve our reasonable expectations, we will actively promote changes. These changes might range from the formulation of a new strategy to the appointment of new management or non-executive directors.

An active and informed voting policy is an integral part of our investment philosophy. Voting should never be divorced from the underlying investment activity. By exercising our votes, we seek both to add value and to protect our interests as shareholders. We consider the issues, meet the management if necessary and vote accordingly. Where possible, we would seek to discuss any contentious resolutions with investee companies before casting our votes in order to ensure that our objectives are understood, and our votes will be cast in the best interests of our investors/clients.

We may decide to not vote proxies or abstain from voting where the costs are prohibitive and would not serve the shareholders’ interest.

It is not our policy to accept client standing instructions.

There are Equity team policies in place to govern the circumstances where the designated Equity team member will generally vote against management. To aid the process of making proxy voting decisions we use a proxy advisor. We review, from time to time, the policies and guidelines of the proxy advisor to understand the nature of their recommendations and test their compatibility with our requirements and will engage with the proxy advisor to facilitate this process. However, specific

policies and advice from the proxy advisor are not applied mechanically. The Equity team will review the voting guidelines / policies (including any changes) of the proxy advisor at least once a year, and evidence the review by a sign-off.

We always apply our judgment and decide how to vote each resolution on its merits in the context of principles of our proxy policy. These include, but are not limited to:

- ▶ **In the case of poor business performance, we do not apply any mechanical definition for the purpose of our exercise of proxy votes. Poor business performance must always be considered with a detailed understanding of the company in question within the context of our investment rationale for owning the company's shares. We will take into consideration the effectiveness of management policy and its response to persistently inadequate returns when voting.**
- ▶ **Where applicable, we will vote against management that have engaged in or facilitated anti-social acts where responsibility can be reasonably determined or assumed. Anti-social acts are defined as a violation of law or an act that violates public order and causes economic loss. In exercising our proxy votes we will consider any processes the company has put in place to determine management responsibility and compliance and business improvement responses.**
- ▶ **Where applicable, all motions involving Retirement Bonuses for Directors and Internal Auditors will be voted against. We in principle do not approve of retirement bonuses for Directors since this is a disincentive for independent**

**oversight by Directors for shareholders. For Internal Auditors there is an inherent conflict of interest created by paying auditors bonuses.**

- ▶ **Anti-takeover poison pills will also be automatically voted against as outlined in Section 3 Take-over Bids – Voting Policies and Procedures.**
- ▶ **Increases in Allowable Capital will be dealt with on a case by case basis.**
- ▶ **Issuance of equity will be assessed in terms of justification of proposed dilution, including use of capital in relation to cost of equity and impact of returns.**
- ▶ **Pre-emptive rights (including certain warrants) variable of undefined dilution, or share placements that cannot be clearly shown to be in the interest of shareholders will be voted against**
- ▶ **Agenda items that offer broad scope of interpretation, including "Other Matters" or "Any Other Business" will be voted against.**

In addition to the specific policies above, where the proxy advisor recommends a vote against management (either against a management proposal or for a shareholder proposal) and where the designated Equity team member concurs with the recommendation will be voted against. In this instance, the designated Equity team member is not required to obtain written pre-clearance from either the Equity Chief Investment Officer ("CIO") or Equity Team Leader. The below table outlines a summary of

Scenarios #	Proxy advisor voting recommendation	ESI voting recommendation	Alignment with Internal ESI EQ policy?	Alignment with ESI EQ policy?	Prior Approval require Prior Approval requirement? (●Yes / ●No)
1	For	For	Aligned		●
2	For	For	Not in alignment		●
3	Against	Against	Aligned		●
4	Against	Against	Not in alignment		●
5	For	Against	Aligned		●
6	For	Against	Not in alignment		●
7	Against	For	Aligned		●
8	Against	For	Not in alignment		●

such scenarios, where written pre-clearance may (or may not) need to be obtained from either the Equity CIO or Equity Team Leader.

different companies will be a market-based judgment, taking business size and complexity into account and should reflect relative performance.

## 3 TAKE-OVER BIDS

Valuation by the stock market is an important benchmark for monitoring board performance. For a listed company the take-over bid, or merger can be a necessary and important protector of shareholder value.

Our general policy is to support incumbent management in good standing. We reserve the right to support hostile bids when the management have either consistently failed to respond to the reasonable expectations of shareholders or where, in our judgment, the level of a bid fully recognizes the future prospects of the Company.

## 5 CAPITAL RAISING

Capital used by companies is derived from equity, debt and other creditors. The rights of lenders and other creditors are precisely defined in law. This contrasts with the economic interest of shareholders providing the equity capital. Protection of the shareholders' position relies largely upon ownership, with the right to vote at company meetings and thereby determine company articles and board membership.

We do not support pre-emption on the basis that in principle, one party is favoured over another party. It is therefore incumbent upon boards to

## 4 COMPENSATION PLANS

It is clearly in the interest of shareholders that boards should have the ability to attract and retain the highest quality of personnel. Remuneration levels in

demonstrate clearly, on a case-by-case basis, why pre-emption is in the best interests of the existing owners/clients/investors.

## 6 CORPORATE RESPONSIBILITY AND ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE ISSUES

“Corporate responsibility” describes the overall framework within which companies and investors approach their business, with particular emphasis on environment, community and employment issues.

Growth and wealth creation remain the cornerstones of prosperity. We believe that well managed business will as a matter of course take account of wider social and environmental issues in taking their businesses forward.

Our approach takes Environmental, Social, and Corporate Governance (“ESG”) issues into consideration when assessing material risks to sustainable earnings of a company. We utilize internal and external resources in assessing any material risks that arise from ESG issues; we engage with companies in which we invest; and this is reflected when we vote proxies. The Equity team Environmental, Social, and Corporate Governance Policy formalizes our approach to ESG issues, which are explicitly integrated into our investment process.

## 7 CONFLICTS

From time to time, proxy voting proposals may raise conflicts between the interests of our clients and the interests of the Company and its employees. We must take certain steps designed to ensure and must

be able to demonstrate that those steps resulted in, a decision to vote the proxies that was based on the clients’ best interest and was not the product of the conflict. For example, conflicts of interest may arise when:

- ▶ **Proxy votes regarding non-routine matters are solicited by an issuer that has an institutional separate account relationship with the Company;**
- ▶ **A proponent of a proxy proposal has a business relationship with the Company;**
- ▶ **The Company has business relationships with participants in proxy contests, corporate directors or director candidates;**
- ▶ **An employee of the Company has a personal interest; e.g., through stock ownership, having a spouse working at the Company, etc. in the outcome of a particular matter before shareholders; or**
- ▶ **An employee of the Company has a business or personal relationship with participants in proxy contests, corporate directors or director candidates.**

Issues raising possible conflicts of interest are referred to Chief Risk Officer for resolution. Application of these guidelines or voting in accordance with the proxy advisor recommendation should, in most cases, adequately address any possible conflicts of interest. In the event that the guidelines do not address the conflict:

- (a) in the case of a conflict impacting a fund which is a registered management investment company under the US Investment Company Act of 1940 (“Fund”) whereby the Company is appointed as the Manager/ sub-adviser to Fund, the Company’s Chief Risk Officer shall inform the Fund’s Chief Compliance Officer, and will determine whether the Fund’s

Board of Trustees is able to vote the proxy, or whether another party should vote the proxy.

- (b) in all other cases, the vote should be turned to Chief Risk Officer, who may seek the views of an independent employee within Prudential Group, if necessary. If the conflict of interest to pertain to the Prudential Group, then we may seek the views of an independent counsel

## 8 VOTING PROCESS

- ▶ The voting decision is taken by the designated Equity team member and relayed to the Corporate Actions team for execution.
- ▶ It must be ensured that there are no conflicts of interest in the exercise of votes. Any portfolio manager with knowledge of a personal conflict of interest relating to a particular referral item shall disclose that conflict to the Chief Risk Officer and may be required to abstain him or herself from the proxy voting process.
- ▶ In respect of voting rights relating to investment of a collective investment scheme / unit trust, where the portfolio manager could face conflicts of interest, the votes to be exercised in consultation with the trustee, where applicable.
- ▶ On voting analysis, we engage an independent third-party service provider to provide research and recommendations in connection with the voting of proxies. Whilst the Equity team retains the final authority and fiduciary responsibility for the voting of proxies the proxy advisor shall deliver to the Equity team

research and vote recommendations electronically for analysis.

- ▶ Written approval by the CIO or the Equity Team Leader is required where the designated Equity team member is either voting against management or abstaining, and where the item has not been described within our predetermined policy as detailed within Section 2 Voting Policy – Voting Policies and Procedures
- ▶ Records of all votes, the proxy advisor recommendations and where appropriate written approvals are maintained centrally. As part of the audit / compliance monitoring process, details may be requested from the portfolio manager covering the stock from time to time.
- ▶ Voting will be governed by the requirements under the investment management agreement, prospectus and local laws.
- ▶ Proxy voting results are currently made publicly available in respect of Japanese equities. Other proxy voting results will be made available upon client's request.

## 9 PROCEDURE

- ▶ ISS will send a daily email alert to the relevant fund managers (with a copy to the Corporate Action team) informing them of upcoming meetings. The emails will contain the following information:
  - (a) List of newly announced upcoming meeting events and/or meetings previously announced, but with amended details

**(b) Online link to ISS research reports**

- ▶ **The fund managers will need to review the meeting and reply to the emails to indicate if they wish to vote differently from the ISS recommendation.**
- ▶ **Should one fund manager wish to vote otherwise, Corporate Action team is to ensure that any other fund managers holding the same stock has been informed and provide their consensus to vote the same. If consensus cannot be reached, the fund managers are to escalate the issue to the CIO or the Equity Team Leader, who will then determine the final voting direction.**
- ▶ **Once the consent has been given from all fund managers to vote on the same direction, Corporate Action team will update this vote decision and vote rationale on ISS website. ISS will then forward the vote decision to the custodians for their instructions.**
- ▶ **In the absence of response from fund manager by Vote Override Deadline Date, the 'default' option is to follow proxy advisor's recommendations.**
- ▶ **On an annual basis, Eastspring Singapore's Compliance checks (on a sample basis) whether votes are cast in accordance with the policy.**

On an annual basis, registered management investment companies under the US Investment Company Act of 1940 are required to file with the SEC its proxy voting record (Form N-PX filing) for each twelve-month period ending on June 30 of each year. The report must be submitted not later than 31 August. If the Company is appointed as the Manager or sub-adviser to such a registered management investment company, the Company would need to provide the necessary information and support for the Form N-PX filing.