

Balanced Equity Management Proxy Voting

1. General

1.1 Balanced Equity Management has a fiduciary obligation to act in the best interests of all of its clients. Certain but not all of its clients oblige Balanced Equity Management to exercise any right to vote attached to a share or other security forming part of the Portfolio. In so doing, Balanced Equity Management will not exercise the powers vested in it by its clients to further its own commercial interests or to pursue a cause unrelated to its clients' interests or to favour one client over another.

1.2 We are concerned to ensure the board of a company in which we invest on behalf of our clients can manage the company without undue interference. However there are matters which rightfully involve shareholders and we are concerned to ensure our clients' interests are protected. Our aim is to support a culture among companies in our investment portfolios of placing shareholders' interests foremost.

1.3 a) Corporate governance issues permeate our decision making process involving all our analysts.

b) Each analyst considers corporate governance issues with respect to the companies for which they are responsible in relation to:

- the implications for our corporate valuations and portfolio weightings; and
- voting intentions at shareholder meetings.

In addition, BEM's Middle Office & Client Services team is responsible for co-ordinating and recording our voting instructions via the voting platforms and for notifying clients for whom we provide advice but do not vote.

c) We maintain a record of voting activity and the reasons for our votes are documented where they are contrary to the votes recommended by selected independent proxy voting service providers or by the board of the relevant company.

1.4 a) We follow very closely the companies in which we invest and are cognisant of the issues, including corporate governance. When there is a matter that concerns us, we will discuss it internally and where appropriate it will influence the size of our holding in the company. We have meetings with most companies on a regular basis where issues of concern can be raised. We are notified of impending votes by our independent proxy voting service providers and we discuss how we should respond in the light of our corporate governance principles.

- b) We are concerned to address:
- board composition and gender representation;
 - executive remuneration (particularly those components that require shareholder approval);
 - changes to issued capital (with a view to minimising shareholder dilution);
 - corporate activity such as mergers and acquisitions.
- c) Our approach is flexible and evolves in response to our clients' expectations and to best practice.

2. Shareholder Voting

2.1 We have a policy of voting on all occasions.

2.2 a) We do not have a set of pre-determined guidelines. However we have clear corporate governance principles and we ensure consistent application of these.

b) Our principles evolve in response to specific issues.

c) We do not publish a set of guidelines. We are pleased to discuss with our clients our approach to both general principles and specific issues.

d) We consider issues in depth whenever the matter is not clear cut. This includes all cases where we are considering voting against the board recommendation.

2.3 We do not co-ordinate our voting with any external party, or rely on external advice. We use external advice but come to our own conclusions.

2.4 Where we have discretion, our preferred approach is to report back to the client on our voting instructions after the event. We believe a requirement to discuss each vote with the client prior to instructing the custodian would provide a distraction to optimal portfolio management.

3. Activities Beyond Shareholder Voting (i.e. "Shareholder Activism")

3.1 When we have a concern with a board recommendation and believe we could have an influence on the outcome, we raise the issue with the company, generally the Chairman.

3.2 While we do not have a set of pre-determined guidelines we have clear corporate governance principles which have evolved in response to specific issues. We are pleased to discuss our approach to both general principles and specific issues with our clients.

3.3 We do not generally co-ordinate our approach with any external party. We use external advice but we come to our own conclusions.

3.4 Our preferred approach is to treat discussions with the company in a low-key manner but to leave no doubt as to where we stand. We do not see formalising the process as being helpful.

3.5 We believe a requirement to discuss the issues with the client prior to discussing matters with the company would provide a distraction to optimal portfolio management and possibly inhibit open and timely engagement with the company.

4. Reporting

4.1 We report to clients who require details of our voting instructions on a regular basis. The report can include an explanation of our decision in cases which were controversial or where we vote against the board recommendation.

4.2 We do not publish details of our voting activity or of the extent or results of our engagement with companies except in the case of the Franklin Templeton Australian Equity Fund.



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