



## Proxy Voting Policy – Chester Asset Management

### Version control:

<b>Approval Date:</b>	September 2025
Approved:	Board
Reviewed:	
Policy owner:	<ul style="list-style-type: none"><li>• Managing Director</li></ul>
Other related policies	<ul style="list-style-type: none"><li>• Responsible Investment &amp; ESG Policy</li></ul>
Key related legislation:	<ul style="list-style-type: none"><li>• FSC Standard No 13: Voting policy, Voting record and Disclosure (27 May 2020)</li><li>• FSC Standard 23: Principles of Internal Governance and Asset Stewardship (July 2017)</li></ul>



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## 1. Purpose of Policy

This Policy sets out the position of Chester Asset Management Pty Ltd (**Chester** or **we**) to proxy voting for Australian listed securities where Chester acts as investment manager and/or provides investment management services under a mandate and has been delegated voting responsibilities.

## 2. Beliefs

Chester believes that active investment managers play a key role as stewards of capital on behalf of their clients and have a role in promoting good corporate governance of the entities in which they invest. Constructive corporate engagement and proxy voting are useful tools of responsible investment, as investment managers can influence change in listed enterprises. The exercising of the right to vote is one of the most effective tools for holding company boards to account and encouraging good governance. Proxy voting is a cornerstone to Chester's responsible investment approach.

This section should be read in conjunction with the *Chester Responsible Investment and ESG Policy*.

## 3. Policy

As an active investment manager, Chester will endeavour to exercise its proxy voting rights for all listed securities it manages on behalf of clients. Chester intends, wherever possible and practical, to vote on every resolution put to securityholders.

Chester's primary objective when voting is to act in the best financial interests of its clients. Chester will comply with a mandate client's instruction to vote in a particular manner, however, any such instruction will not bind the votes we exercise on behalf of any other clients. Chester applies consistent voting guidelines, as outlined below.

Chester will endeavour to cast votes in a timely and efficient manner by having procedures in place to minimise discrepancies and mismatches between eligible votes and those cast, including through appropriate due diligence of service providers who may implement these procedures on Chester's behalf.

Chester may, in determining its voting instructions, consider the views of suitably skilled professional third-party advisory firms that provide advice on proxy voting and corporate governance issues. Chester has engaged ISS for this purpose. Chester will use its own judgement to determine if the third-party advisory voting recommendations are appropriate or whether an alternative view should be taken.

## 4. Principles

Chester has established the following principles to guide voting:

- i) Chester will consider each voting resolution on its individual merits and will determine a voting position based on the specifics of each company and the relevant proposal. Any votes cast will be exercised in the best financial interests of clients.
- ii) The Voting Guidelines outlined in Appendix A are used to assist decision making, however, there may be circumstances when a vote on specific matter deviates from these guidelines.
- iii) Chester will consider the recommendations of the Financial Services Council

and the ASX Corporate Governance Council in assessing investee company governance practices.

- iv) Chester recognises that smaller companies (i.e., ex-ASX200 and/or more recently listed) may not meet all our corporate governance expectations. Chester may engage with these companies to encourage continuous improvement but, depending on the circumstances, will take into consideration the maturity of the company and its willingness to improve in our final voting decision.
- v) Chester will consider the merits of all resolutions put forward, irrespective of the proponents of the resolution. Where resolutions are proposed in multiple parts, Chester will also consider both the individual merits of each part of the resolution and the impact of the resolution as a whole.
- vi) If a resolution is considered material or contentious, Chester will be guided by what is in the best financial interests of clients. Resolutions falling into this category may involve reputational considerations and contentious subject matter, such as; controversial remuneration arrangements, inappropriate director appointments and/or undesirable corporate actions.
- vii) For resolutions considered material or contentious matters, Chester will provide feedback to the company on its voting intention where appropriate if our voting intention differs from the voting recommendations of the relevant board and management.
- viii) In some instances, Chester may determine that, for governance reasons, our clients' best financial interests are served by abstaining from voting. Circumstances under which Chester may abstain include bundled proposals (where disparate matters are "bundled" and presented for a single vote) or where inadequate information has been disclosed to inform a decision.
- ix) Chester will not vote where excluded from so doing by the *Corporations Act 2001 (Cth)* or other laws, including any restriction or direction made by a client in accordance with a contractual right they possess, or in cases of conflicts of interest or duty which cannot be resolved lawfully or appropriately.
- x) Chester will not vote in favour of resolutions or actions imposing differential voting rights, share classes, or "poison pill" defences or other anti-takeover provisions that seek to deter appropriate takeover offers.

## 5. Reporting

A copy of this Policy and a record of voting activity is made available on the Chester website. Voting activity is reported at least annually. These records may be recorded in electronic format (e.g., via web-based proxy voting services).

## 6. Persons responsible for Policy

Chester's Managing Director is responsible for implementing this Policy. This policy applies to all relevant employees of Chester involved in the proxy voting process.

## 7. Review

This Policy will be reviewed every two years or more frequently if required. It is approved by Chester's Board, who have ultimate oversight for responsible investment and ESG policy.

## 8. Appendix A: Voting guidelines for proxy voting decisions

Chester considers each voting resolution on its individual merits and will determine a voting position based on the specifics of each company and the relevant proposal. Chester's primary objective when voting is to act in the best financial interests of its clients.

The most common resolutions proposed at Annual General Meetings are: director elections; approval of remuneration reports; and equity grants and plans. The following guidelines are used to assist decision making, however, there may be circumstances when a vote on a specific matter deviates from these guidelines.

### Director elections

#### 1.1 Independence

Best practice corporate governance is that a company board should comprise a majority of independent directors with separate Chair and CEO roles. In principle, Chester supports boards with majority independent directors and separate Chair and CEO roles. However, Chester recognises that a board may still be effective in the absence of these factors and that such a board may not necessarily result in a poor long-term financial outcome for clients. Chester acknowledges that smaller, founder-led companies outside the S&P/ASX200 Index may be challenged in this regard. Accordingly, resolutions will be considered on a case-by-case basis with voting decisions based on protecting or enhancing clients' financial interests.

#### 1.2 Board composition

In voting on elections of directors, Chester believes that consideration of board composition is important and we expect boards to consider the appropriate skills and experience required for their effective operation. As such, Chester expects boards to put forward candidates for election and re-election who deliver the necessary skillset and experience for an effective board that maximises long-term shareholder value. In assessing candidates for election or re-election to the board of directors, and resolutions to remove directors, Chester considers

- a) the skillset, capability and experience of the candidate
- b) the performance of the candidate at the company in question and at other companies, especially their record of creating shareholder value
- c) the capacity of the candidate, given other commitments and attendance at board and committee meetings, to adequately discharge his or her duties as a director
- d) the length of the director's tenure on the company's board
- e) the performance of the incumbent board giving regard to financial performance, long-term shareholder value and conduct
- f) the composition of the board and its key committees, and the capacity of the board and its key committees to oversee the company's conduct and performance on behalf of all securityholders having regard to the recommendations of the Financial Services Council and the ASX Corporate Governance Council; and
- g) the mix of skills, capabilities and diversity of the incumbent board.

### 1.3 Board accountability

Chester believes that directors should be accountable for the strategic direction and performance of a company, the oversight of risk management, and the appointment of the CEO. In instances where Chester believes that a director, including the chairperson, has not adequately fulfilled their duty to shareholders on these issues, Chester may vote against the appointment of a director.

### Remuneration Report Resolutions

Chester has undertaken in-depth research on executive compensation and the potential asymmetry between pay and performance, accountability, and long-term value creation. We believe the remuneration of directors and executives should be designed to achieve long-term alignment with shareholder interests.

Remuneration reports should facilitate understanding of a company's remuneration policies and practices. Boards should ensure there is full disclosure of total remuneration packages, including all components and any termination provisions. In deciding how to vote on remuneration reports, Chester will consider:

- a) the extent to which remuneration structure, policies and procedures are disclosed in a clear and meaningful way
- b) the quantum of director and executive pay and whether it is aligned with performance and securityholder outcomes
- c) whether fixed remuneration is at a level that is reasonable with the company's sector, peer group and industrial obligations
- d) whether the balance of fixed vs variable remuneration is reasonable relative to the company's sector and peer groups
- e) the structure of incentives, whether delivered in cash or equity
- f) whether variable remuneration performance hurdles are demanding and relevant, incorporate a sound balance of financial and non-financial metrics, and are genuinely 'at risk' and capable of being a true incentive for performance above the executive's core duties
- g) whether directors and executive management have enough "*skin in the game*" with respect to required personal shareholdings; and
- h) whether the structure of non-executive directors' emoluments encourages independent thinking and action. In our opinion, non-executive directors should only receive reasonable, fixed, emoluments and they should not receive bonuses or incentive payments based achieving corporate performance goals.

### Equity Grants and Plans

In deciding how to vote on resolutions seeking approval for specific grants of equity to executives, Chester will consider:

- a) the performance criteria which must be satisfied for equity to vest and the extent to which these criteria are aligned with securityholder interests
- b) the period over which the equity will vest
- c) whether the grant represents a deferred component of pay already accrued; and
- d) the dilutive impact of plans on existing securityholders.

Chester will not support equity grants to non-executive directors that incorporate formal or informal performance hurdles on the grounds that such arrangements may impair non-executive director independence. Chester recognises, however, that equity grants may form part of non-executive director remuneration in the initial lifecycle of a smaller company where the ability to fund fixed remuneration at a requisite level in order to attract appropriate director capability is limited.

## Securityholder Resolutions

Securityholder proposals are becoming more common. As with all resolutions, each securityholder proposal is reviewed on its individual merits and Chester's voting position is determined based on the specifics of each company and the relevant proposal.

Chester believes that securityholder resolutions should be linked to improved governance or transparency within the company. As such, Chester considers the following to determine a voting position, the:

- a) company's response to the proposal and whether the proposal has been addressed through existing commitments or disclosures
- b) materiality of the proposal; and
- c) proponent and any concerns over the affiliations or objectives of the organisation.

In all cases, Chester will only vote in favour of a securityholder proposal where it is in the best financial interests of its clients.