



**VicSuper Pty Ltd
(VicSuper)
ABN 69 087 619 412**

3.8 Engagement & Proxy Voting Policy

November 2019, Version 3

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Executive Summary

Active Ownership Commitment	<p>VicSuper recognises that it has rights and responsibilities as a shareholder and co-owner of the companies we invest in.</p> <p><i>See Section B, Clause 1 for details.</i></p>
Engagement and Proxy Voting Principles	<p>There are principles that guide our <i>engagement</i> and <i>proxy voting</i> policy.</p> <p><i>See Section B, Clause 2 for details.</i></p>
Engagement and Proxy Voting Objectives	<p>There are high priority <i>engagement</i> and <i>proxy voting</i> objectives.</p> <p><i>See Section B, Clause 3 for details.</i></p>
Engagement	<p>Engagement is undertaken through specialist service providers and <i>investment managers</i>.</p> <p><i>See Section B, Clause 4 for details.</i></p>
Proxy Voting	<p>Proxy voting is managed through a variety of approaches that are specific to Australian, International Developed Market, and Emerging Market Equities.</p> <p><i>See Section B, Clause 5 for details.</i></p>
Shareholder litigation	<p>There are circumstances under which we may participate in class actions against investee corporations.</p> <p><i>See Section B, Clause 6 for details.</i></p>
Reporting	<p>We will disclose our <i>Engagement</i> and <i>Proxy Voting</i> activity and provide a complete list of equity holdings.</p> <p><i>See Section B, Clause 8 for details.</i></p>

Section A – Overview

This Policy forms part of VicSuper’s Investment Governance Framework (IGF) and should be read in conjunction with all related documents detailed in the umbrella document labelled “1.0 Investment Governance Framework Overview”.

This Policy aims to:

- Articulate how VicSuper intends to meet its corporate governance obligations and responsibilities as a shareholder and a co-owner of companies.
- Demonstrate how VicSuper intends to meet its *active ownership* obligations as a signatory to the Principles for Responsible Investment (PRI) Principle 2 – we will be *active owners* and incorporate ESG issues into our ownership policies and practices.

This Policy applies to:

- the *Trustee*;
- the *Investment Committee*;
- the *Investment Management Committee*; and
- *Management*.

Section B – Detail

1 VicSuper's *Active Ownership* Commitment

VicSuper is committed to managing our corporate governance and *active ownership* obligations. We recognise that we have rights and responsibilities as a shareholder and co-owner of the companies we invest in. As a fiduciary acting on behalf of our members, VicSuper understands that *engaging* with companies through dialogue and voting at company meetings helps to ensure there is alignment between how companies are managed and VicSuper's interests as a shareholder. These activities also help us to progressively drive positive change in corporate behaviour that in turn helps to protect the long-term value of investments and our members' retirement savings.

2 *Engagement and Proxy Voting Principles*

The broad principles which direct our Engagement & Proxy Voting Policy are:

- **Shareholder returns:** as a fiduciary, our primary purpose is to maximise risk-adjusted returns to our members.
- **Active ownership and ESG:** as a global investor we believe that being an *active owner* is important in achieving long-term shareholder value and progressively driving positive change in corporate culture. There is value in integrating ESG factors into *engagement* and *proxy voting* activities as this helps to protect and enhance long-term value and manage risk.
- **Monitoring and oversight:** management of listed companies is acting as agents on behalf of shareholders and owners. Therefore, it is incumbent upon owners to ensure that management acts in the best interests of the company to deliver long-term value.
- **One share, one vote:** a share represents an ownership claim on a company and should carry with it equal voting rights.
- **Intelligent voting:** ongoing dialogue with the companies we invest in helps to inform *proxy voting* on resolutions and is in keeping with creation of long-term shareholder value.

3 **Engagement and Proxy Voting Objectives**

Engagement and *proxy voting* activities may be undertaken either directly or via our service providers and *investment managers* on a wide variety of ESG issues (please refer to our Policy document “3.7 Responsible Investment Policy” for further information).

To ensure that VicSuper meets its *Active Ownership* Commitment and its broader Corporate Responsibility Commitments – as discussed on the VicSuper website – high priority ESG issues and *engagement* and *proxy voting* objectives have been identified. They are:

- **Governance** – promote best practice corporate governance, culture and encourage Boards to maintain focus on shareholder value creation and risk reduction.
- **Climate Change** – support the objectives of the Paris Agreement to limit global warming to well below 2 degrees and move towards a low carbon economy in a way that is consistent with a just transition.
- **Workforce and Human Rights** – work to eliminate *Modern Slavery* and promote the protection of workforce and human rights in the operations and supply chains of our investments.
- **Gender equity** – promote gender equity, diversity and inclusion.
- **Social License** – promote consideration of the interests of a range of stakeholders and avoid significant environmental and societal harm.

4 **Engagement**

To protect and enhance the *Fund’s* long-term value as well as reduce risk, VicSuper will *engage* with investee companies on a variety of ESG and strategic issues.

Company *engagement* includes discussions with a company, usually at Board or at least senior management level within the company, on ESG issues, policies and processes. VicSuper believes that *engaging* with investee companies along with regulators, governments and other market participants can add value to the investment outcome.

VicSuper is a member of the Australian Council of Superannuation Investors (ACSI). VicSuper has appointed ACSI to undertake engagement on ESG issues across our listed Australian Equities exposure.

VicSuper has appointed Hermes EOS to undertake *engagement* on ESG issues for our listed International Equities and Emerging Market Equities exposures.

Engagement activities are undertaken in alignment with ACSI's [Governance Guidelines](#) and Hermes EOS' [Ownership Principles](#). The overall aim of *engagement* is to monitor and influence positive changes in ESG performance. Both ACSI and Hermes EOS also *engage* with government, regulators, associations and the investment community to promote best practice ESG standards.

Our external *investment managers* also *engage* investee companies on ESG issues where relevant and appropriate.

The list of ESG issues that can form part of *engagement* activity is included in our Responsible Investment Policy. It is important to note that VicSuper's specialist *engagement* providers tailor each *engagement* discussion to the most appropriate and material ESG issues.

5 Proxy Voting

The right to vote is an essential part of a well-functioning corporate governance system. Voting decisions are primarily based on investment considerations, the principles of good corporate governance, and VicSuper's *responsible investment* objectives. VicSuper is committed to voting at all meetings and on all resolutions across our listed equities portfolios. VicSuper's approach to the management of proxy voting is outlined in the document "3.8.1 Proxy Voting Procedure".

VicSuper subscribes to ACSI's Australian proxy voting alert service, which provides external analysis of, and recommendations for voting. VicSuper ordinarily votes in accordance with ACSI's recommendations when voting on S&P/ASX300 company resolutions. ACSI's voting principles are outlined in their [Governance Guidelines](#). VicSuper's active Australian Equities *investment managers* retain the option to recommend a vote against ACSI's recommendations where a clear rationale is provided. To ensure that voting recommendations are available for all companies held in the portfolio, VicSuper also sources voting recommendations from ISS (VicSuper's voting platform provider) for all Australian stocks outside the S&P/ASX300.

VicSuper has appointed Hermes EOS to undertake voting research and vote on VicSuper's behalf, across its listed Developed Market International Equities holdings. Hermes EOS' voting principles are outlined in their [Ownership Principles](#).

Where our International Equities *investment managers* disagree with a Hermes voting proposal, the managers are able to contact Hermes directly and present an alternative rationale.

For Emerging Market Equity holdings, voting is undertaken directly by our relevant external *investment managers*.

VicSuper retains the right to over-ride any voting recommendation of voting service providers and/or *investment managers*. The decision will be made by the Chief Investment Officer who will consider all advice and make the final decision.

For listed companies held in a pooled vehicle, the manager of that vehicle will undertake proxy voting according to their own proxy voting policies. VicSuper *Management* will seek high level reporting of voting patterns for each vehicle and may choose to discuss voting activity on a case-by-case basis.

VicSuper may participate in a securities lending program for company shares held in its passive equity portfolios. In such cases, VicSuper endeavours to recall shares from third parties to enable voting of company resolutions.

6 Shareholder Litigation

VicSuper may participate in class actions against investee corporations under the following circumstances;

- where there is evidence that our members have suffered a loss; and
- where the class action is considered material and in accordance with our members' best interests.

In such circumstances, VicSuper will engage an independent third party to provide research and advice. The decisions as to whether to proceed with an individual action will be made by the *Investment Management Committee*.

7 Conflicts of Interest

VicSuper has implemented a Conflict Management Framework to prescribe the mechanisms by which conflicts will be managed; and the process for assessing conflicts and determining the approved conflicts management arrangements. This Policy should be read in conjunction with the Conflict Management Framework and its Policy. Thus, the conflicts management framework is to be considered and applied in the exercise of voting rights under this Policy, regardless of the party exercising the vote.

8 Reporting and Review

VicSuper is committed to being transparent and accountable. VicSuper's specialist providers issue regular reports on both *engagement* and *proxy voting* activities. Consolidated proxy voting data is also reported through VicSuper's appointed service provider ISS. VicSuper's *Investment Committee* is provided with *engagement* and *proxy voting* reports on a six monthly basis.

On an annual basis, we report on our ESG processes and *responsible investment* activities via our website and in our Annual Report. We will disclose our *Engagement* and *Proxy Voting* activity and provide a complete list of equity holdings for the *Fund* on a six monthly basis.

This Policy will be reviewed and updated where appropriate on an annual basis.

Section C – Appendices

Appendix 1 – Version Control

Date & Version Number	Nature of Update
November 2019, Version 3	Minor update to engagement and proxy voting priority objectives.
February 2019, Version 2	Minor update to reflect shift from Australian Equities investment managers voting in accordance with ACSI recommendation to automated voting in line with ACSI recommendations.
December 2018, Version 1	Minor reformat of the pre-existing Policy to fit into the comprehensive update of the Investment Governance Framework.