



VicSuper

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

Engagement & Proxy Voting Policy

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Section A – Overview

This Policy forms part of VicSuper’s Investment Governance Framework (IGF).

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*; 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 are 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 of 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 Responsible Investment Policy).

To ensure that VicSuper meets its Ownership Obligations and its broader Corporate Responsibility objectives, high priority ESG issues and engagement and proxy voting objectives have been identified. They are:

- **Governance** – promote best practice corporate governance and encourage Boards to maintain focus on shareholder value creation and risk reduction
- **Climate Change** – support the objectives of the Paris Agreement and the low carbon transition
- **Human Rights** – promote the protection of human rights in our investment supply chain
- **Gender equity** – promote gender equity, diversity and inclusion on company Boards
- **Natural capital** – influence how our industry and key decision makers value natural capital

Implementation activities will be managed through VicSuper's Responsible Investment Strategy.

4 Engagement

To protect and enhance VicSuper 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 Australian investments in the S&P/ASX300 (passive and active).

VicSuper has appointed Hermes EOS to undertake engagement on ESG issues for our international developed and emerging market equities (passive and active).

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 portfolio.

VicSuper subscribes to ACSI's Australian proxy voting alert service, which provides external analysis of, and recommendations for voting. VicSuper has advised its external Australian investment managers to vote 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 Australian investment managers retain the right to 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 international developed equity holdings (active and passive). Hermes EOS' voting principles are outlined in their [Ownership Principles](#).

Where our international external investment manager disagrees with a Hermes voting proposal, the manager is able to contact Hermes directly and present an alternative rationale.

For international 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 delegated to VicSuper's Chief Investment Officer who will consider all advice and make the final decision.

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

VicSuper participates in a securities lending program for company shares held in its passive equity portfolios. VicSuper ensures that all shares can be recalled from third parties to enable voting of company resolutions.

6 Shareholder Litigation

As a principle, VicSuper will not file lawsuits on behalf of its members against corporations for alleged violation of securities laws. However, VicSuper has retained a securities class action service whereby a third-party seeks compensation for securities held where a violation of law has been proven in a court of law. In addition, from time to time, VicSuper will be party to a securities class action where it is in the interest of members and maybe, in limited circumstances, be the lead filer in such circumstances.

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 Engagement & Proxy Voting 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 list of S&P/ASX300 and Top 500 World ex-Australia equity holdings for VicSuper Fund on a six monthly basis.

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