

## SUPERANNUATION VOTING TRANSPARENCY REPORT

**1. Name of asset owner/ fund manager & fund name chosen to assist with queries below:** VicSuper

**2. Brief Description of Asset Owner**

Victorian public sector super fund originally set up for the public servants of the state of Victoria but now open to all Australians.

**3. Funds Under Management:** \$20.4billion<sup>1</sup>

URL:

<http://www.apra.gov.au/Super/Publications/Pages/superannuation-fund-level-publications.aspx>

**4. Memberships**

Association	Membership
UNPRI	Yes
FSC	No
RIAA	Yes
ACSI	Yes

**5. Do they publically disclose a clear policy on how ESG issues are incorporated in all of their equity investment activities (i.e not just for SRI funds?) and do they screen any particular industry?**

VicSuper has a basic ESG policy available on their responsible investment page. They state that their managers consider ESG factors when investing but that they do not divest based on ESG factors, rather attempting to create change from within. This page briefly identifies governance, climate change, human rights, gender equity and natural capital as objectives pursued by VicSuper's engagement and proxy voting policy though none of these issues is actually mentioned as objectives in VicSuper's own formal Engagement and Proxy Voting Policy document.

Within the ESG integration guide VicSuper states that "holding investments across the supply chain effectively enables us to proactively engage with management of these companies to influence positive change" (pg. 3). Although the fund has stated they have divested from tobacco stocks, there is no further discussion in their own material of how environmental, social or governance factors are weighted or considered.

However, the Engagement and Proxy Voting Policy document does state in regards ASX proxy voting VicSuper instructs its external investment managers to

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<sup>1</sup> As of 4<sup>th</sup> July 2018 by company email response.

vote in accord with ACSI's recommendations and refers to the ACSI Governance Guidelines. These contain extensive discussion of ACSI's approach to governance issues and, by way of example, discussion of Climate Change, Labour and human rights, Corporate Culture and Tax practice.

In regard international equity holdings VicSuper uses Hermes EOS<sup>2</sup> and refers to the Hermes Responsible Ownership Principles which also contain an extensive discussion of Hermes approach to Governance issues and a brief discussion of Hermes approach to climate change, human rights and supply chain issues. For example, Hermes states companies "... ought to publicly support the ambition and goals of the 2015 Paris Agreement on climate change."

URL:

<https://www.vicsuper.com.au/investments/responsible-investment>  
[https://www.vicsuper.com.au/~ /media/files/pdfs-and-downloads/other/investments/esg\\_integration\\_guide.pdf?la=en](https://www.vicsuper.com.au/~ /media/files/pdfs-and-downloads/other/investments/esg_integration_guide.pdf?la=en)  
[https://www.vicsuper.com.au/~ /media/files/pdfs-and-downloads/other/investments/investment\\_policy\\_statement.pdf?la=en](https://www.vicsuper.com.au/~ /media/files/pdfs-and-downloads/other/investments/investment_policy_statement.pdf?la=en)  
<https://www.acsi.org.au/publications-1/acsi-governance-guidelines.html>  
<https://www.hermes-investment.com/ukw/wp-content/uploads/sites/80/2018/03/final-responsible-ownership-principles-2018.pdf>

Score (3 out of 3) ( 1 for having a policy and 2 for explicit incorporation by reference of ACSI Guidelines which cover E,S & G issues.)

**6. Do they publicly disclose their voting record for either or both their ASX and international holdings?**

VicSuper has publicly made available their proxy voting records since the 1<sup>st</sup> of July 2016. These records are searchable by company name and meeting date. These records are almost live, with the entire previous month searchable (records up to the 31<sup>st</sup> of March 2018 were the most recent on 24/04/2018). These records covered both domestic and internationally held shares but did not include voting rationales.

URL:

<https://www.vicsuper.com.au/investments/responsible-investment/proxy-voting>

Score (3 out of 5)

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<sup>2</sup> Note however that "where an international external investment manager disagrees with a Hermes voting proposal, the manager is able to contact Hermes directly and present an alternative rationale." It appears from the records below this is commonplace.

## 7. DOMESTIC VOTING

July to December 2017 ASX						
	Theme of Proposal	For	Against	Abstain	Not Holding	Score
<b>BHP Billiton</b>	Amendment of Constitution Item no.22		X			-1
	Climate Change Item no.23	X				1
<b>Woolworths Group Limited</b>	Amendment of Constitution item no.7a		X			-1
	Human Rights Item no.7b	X				1
<b>URL: (Max score 4)Total</b>						<b>0</b>

January to June 2017 ASX						
	Theme of Proposal	For	Against	Abstain	Not Holding	Score
<b>Oil Search</b>	Climate Change item no.7				X	0
	Human rights				X	0
<b>Santos</b>	Amendment of Constitution item no.5a.		X			-1
	Climate Change item no.5b. (Strategic Resilience for 2035 and Beyond )		X			-1
<b>URL: (Max score 4)Total</b>						<b>-2</b>

## 8. INTERNATIONAL VOTING

International 2017 Resolutions						
	Theme of Proposal	For	Against	Abstain	Not Holding	Score
<b>The AES Corporation</b>	Climate Change			X		0
<b>Ameren</b> (item 6.)	Climate Change			X		0
<b>Dominion</b> (item 8.)	Climate Change			X		0
<b>DTE</b> (item 5.)	Climate Change		X			-1
<b>Duke Energy Corporation</b> (item 7.)	Climate Change		X			-1
<b>FirstEnergy</b> (item 10.)	Climate Change			X		0
<b>PNM</b>	Climate Change				X	0
<b>PPL</b> (item 6.)	Climate Change		X			-1
<b>The Southern Company</b> (item 6.)	Climate Change				X	0
<b>AT&amp;T</b> (item 5)	Political Expenditure		X			-1
<b>Alphabet Inc</b> (item 8)	Political Expenditure		X			-1
<b>Wells Fargo</b> (item 5)	Consumer Rights (Retail Banking Sales Practices Report)		X			-1
<b>UK Royal Dutch Shell</b> (item 21)	Climate Change (GHG Reduction Targets)		X			-1
<b>UK Sports Direct</b> (item 19)	Human Capital Management (2016)				X	0
<b>(Max score 14) Total</b>						<b>-7</b>

## 9. LAGGING

DOMESTIC/ INTERNATIONAL RECORDS			
	Yes	No	Score
<b>2017 Records available within 2 months of 2017 financial/calendar year end</b>	X		2
<b>Records available for current year to date, no more than two months ago available</b>	X		2
<b>June 2016 Records are available</b>		X	0
<b>(Max score 6) Total</b>			<b>4</b>

## 10. Proxy Advisor used:

Domestic: ACSI

International: Hermes EOS

## 11. Since June 2015 has the Fund lead filed or co-filed any ESG related shareholder resolutions at ASX 100 listed companies?

Not to the knowledge of ACCR.

## 12. Prose:

VicSuper provided an ESG policy which described their investment strategy but did not detail particular issues and concerns.

Domestically VicSuper has had two chances within their records to support Climate Change Based resolutions and has supported one. Similarly, VicSuper has had three chances to date to support Governance related resolutions and has voted against all three. VicSuper supported the single human rights issue which was voted on in Australia in 2017.

Due to the scale of the international market, a few resolutions put to large companies concerning key issues such as climate change, human rights and political spending were chosen as examples. These resolutions were chosen as reflective because they attracted reasonable support.

Ten 2017 resolutions associated with climate change and the prevention of global warming were chosen. VicSuper did not hold 2 of the companies. Despite the fact VicSuper claims Hermes guides its international voting approach and Hermes emphasising the importance of the 2015 Paris accord, VicSuper voted solely against the resolutions at 4 companies - . It had another four opportunities

to vote and VicSuper voted in combination style votes, every time combining against with other options.

Two resolutions concerning political expenditure were chosen to help indicate the fund's stance on this issue, both of the two were not supported by VicSuper in 2017. Finally two resolutions concerned with human rights or consumer rights in the 2016/2017 period were considered; VicSuper voted against the resolution for the company they were holding.

Overall, VicSuper states that they try to influence ESG change through utilising their proxy voting power within companies rather than divesting. From the 13 votes they cast from the shareholder resolutions we examined, they voted against 11 of them.

#### **NOTES**

For the AES 2017 vote, VicSuper voted Abstain, Against, For

For the Ameren 2017 vote, VicSuper voted Abstain, Against

For the Dominion 2017 vote, VicSuper voted Against, For

For the FirstEnergy 2017 vote, VicSuper voted Against, Abstain

None of these voting records showed the numbers of shares voted for, against or abstain so have been counted as an abstentions within the table above..