

# Active Ownership Policy

**Active Super**

**June 2022**

**Version 14**

## Contents

1. Policy Statement .....	3
2. Definitions.....	3
3. Overview.....	4
4. Principles and guidelines .....	4
5. Voting Procedures.....	6
5.1 General .....	6
5.2 Australian listed equities .....	6
5.3 International listed equities .....	7
5.4 Resolution filing .....	8
5.5 Disclosure and reporting .....	8
6. Policy Information.....	9

## 1. Policy Statement

LGSS Pty Limited is the Trustee of the Fund and is required to act in the best interest of the Fund's members when exercising its duties and powers.

Active Super believes that a well-developed responsible investment strategy can assist in generating long-term risk-controlled investment returns while also aligning with the Fund members' expectations regarding ESG issues. The Trustee has therefore adopted the SRI Policy, which recognises that ESG issues and risks may have a material influence on the investment returns.

The Trustee has introduced this Policy to ensure consistency with the SRI Policy as it relates to the exercise of its active ownership activities with respect to the Fund's investments.

## 2. Definitions

<b>ACSI</b>	means the Australian Council of Superannuation Investors.
<b>Board</b>	means the board of Directors of the Trustee.
<b>Chief Investment Officer or CIO</b>	means the person who is appointed to control the management of the assets of the Fund.
<b>Committee</b>	means the Active Super Investment Committee.
<b>Director</b>	means a director of the Trustee appointed in accordance with the Trustee's Constitution.
<b>ESG</b>	means 'environmental, social and governance'.
<b>Fund</b>	means the superannuation fund known as Local Government Super (ABN 28 901 371 321) governed by the Trust Deed, trading as Active Super.
<b>Governance</b>	means the manner in which companies are managed or governed, and their relationship with their shareholders.
<b>IMA</b>	means an investment management agreement between the Trustee and an investment manager for the Fund.
<b>Active Super</b>	means the Fund.
<b>LGSS Pty Limited</b>	means LGSS Pty Limited ACN 078 003 497.
<b>Policy</b>	means this Active Ownership Policy.
<b>RSE</b>	means a 'registrable superannuation entity' as defined in the <i>Superannuation Industry (Supervision) Act 1993</i> .
<b>SIS Regulations</b>	means the <i>Superannuation Industry (Supervision) Regulations 1994</i> .
<b>SRI Policy</b>	means the Active Super Sustainable and Responsible Investment Policy.
<b>Trustee</b>	means LGSS Pty Limited, as trustee of the Fund.
<b>Viewpoint</b>	means the proxy voting platform operated by CGI Glass Lewis.

### **3. Overview**

- a) Active Super is committed to being an active owner of our investments. We take our ownership responsibility as a shareholder seriously and believe that engaging with companies on ESG issues and voting at company meetings can address potential risks across our investment portfolio. This assists with our obligations to provide strong long-term returns for our members while also providing benefits to the community.
- b) Active Super's active ownership practices reflect the importance we hold in the principle that our investments are well governed in a manner that emphasises the alignment with the long-term horizon of Active Super's members' savings. This is consistent with SRI Policy, which recognises that Active Super is long term in nature, and that the long term prosperity of the economy and the wellbeing of members depends on a healthy environment, social cohesion and good governance of Active Super and the companies in which it invests.
- c) Active Super holds shares in the majority of the top listed companies in Australia and overseas, which carry ownership rights and obligations. Active Super engages with companies on material ESG issues that represent current or potential risks to our investment. This engagement is done either directly by Active Super, or via third parties such as ACSI or our external fund managers. As a shareholder, Active Super is entitled to exercise proxy votes at the shareholder meetings of most of the ASX200 companies and the largest listed companies in the world. We vote at shareholder meetings because we believe it is a key element of company engagement, and that it is important to fulfil our ownership obligations and rights as a long-term shareholder. For this reason, wherever practicable, Active Super will take responsibility for voting shares from our external fund managers.
- d) The following Policy outlines Active Super's proxy voting and engagement processes for our Australian and international listed investments.

### **4. Principles and guidelines**

- a) Approach to voting:
  - i) The SRI Policy governs our approach to investing and sets out the sustainability principles by which Active Super is managed. This includes our approach to proxy voting.
  - ii) Day to day responsibility for monitoring, implementation and review of the Policy resides with the Active Super Head of Responsible Investment, who reports directly to the CIO.
  - iii) Active Super uses proxy advisors to guide our voting at shareholder meetings, being ACSI for our Australian investments, and for our international investments CGI Glass Lewis in partnership with ACSI. Both of these groups have established voting guidelines based on corporate governance best practice. ACSI and CGI Glass Lewis analyse the financial, environmental and ESG performance of listed companies and make voting recommendations using these guidelines.
  - iv) In line with our responsibility to invest for our members' long-term retirement savings needs, our approach to voting aims to promote the interest of long-term investors. We use ACSI and CGI Glass Lewis recommendations as a guide; We may vote against their recommendations when we have identified a significant long term ESG or contentious issue which has led to, or could lead to, a loss of

shareholder value.

- v) Active Super aims to vote at 100% of our ASX200 listed investee company meetings and in the largest international investment markets.
- b) Regulatory requirements:
  - i) Paragraph 2.38(2)(n) of the SIS Regulations requires RSEs have an obligation to publicly disclose proxy voting policies within twenty business days after the policy has been established, amended or replaced.
  - ii) Paragraph 2.38(2)(o) of the SIS Regulations requires RSEs to publish a summary of the entity's exercise of its voting rights in relation to shares in listed companies during the previous financial year. Such voting records must be published within twenty business days after the end of the relevant financial year.
- c) Approach to Engagement
  - i) Engagement with companies on ESG issues can be undertaken by Active Super itself or in collaboration with other investors who hold similar focus and alignment on the importance of governance on ESG issues. This collaborative engagement model is often conducted via industry groups such as the PRI and ACSI and can be an efficient model for company engagement and industry advocacy.
  - ii) The PRI provides the leading framework globally for incorporating ESG issues into investment practice. As a long time signatory and active participant in the initiative, Active Super has a strong commitment to integrating the six principles into our investment approach, including Principle 2 that specifically addresses active ownership: "We will be active owners and incorporate ESG issues into our ownership policies and practices".
  - iii) The Australian Asset Owner Stewardship Code outlines the responsibilities of asset owners to exercise their ownership rights to protect and enhance long-term investment value for their beneficiaries by promoting sustainable value creation in the companies in which they invest. The Code sets out six principles which signatories must commit to on an 'if not, why not' basis:
    1. Publicly disclose how they approach their stewardship responsibilities.
    2. Publicly disclose their policy for voting at company meetings and voting activity.
    3. Engage with companies either directly, indirectly (for example, via collective action or third-party providers) or both.
    4. Monitor asset managers' stewardship activities.
    5. Encourage better alignment of the operation of the financial system and regulatory policy with the financial interests of long-term investors.
    6. Report to beneficiaries about their stewardship activities.As a signatory to the Code, Active Super publishes the Stewardship Statement on our website which describes how these principles are applied.

- iv) Engagement with listed international companies is more effectively undertaken in a collaborative model and with the use of appropriately qualified and reputable third party service providers.
- v) Engagement topics cover company governance over a broad spectrum of ESG issues. These topics can be both long term strategic and thematic engagements (such as management of climate change risks, workplace relations or executive remuneration) or in active response to new issues and circumstances that arise in the ongoing management of our investments.

## 5. Voting Procedures

### 5.1 General

- a) Active Super has direct voting responsibility for our listed investments, with the exception of our co-mingled trust investments where we are unable to execute voting. A clause on proxy voting is included in all of our IMAs with external fund managers to reflect this.
- b) For Australian listed investments, Active Super carries out voting directly on the CGI Glass Lewis Viewpoint voting platform. For international listed investments, Active Super employs CGI Glass Lewis to undertake voting on our behalf, applying guidelines developed with ACSI.
- c) The SRI Policy is used as a guide for all proxy voting activities, including the identification and assessment of significant long term ESG and contentious issues. Common issues that may be considered when assessing company performance include climate change, board structure, executive remuneration plans, capital raising practices, business ethics and human rights.

### 5.2 Australian listed equities

For the Australian listed equity investments held by Active Super we use the following process for board/management and shareholder resolutions:

- a) Notification email received from ACSI alerting of an upcoming company meeting and a snapshot of their 'against' voting recommendations.
- b) Assess company resolutions and identify any significant long term ESG or contentious issues present within the investee company that may impact shareholder value.
- c) Access ACSI's full company report and voting recommendations on ACSI Delta database.
- d) Where appropriate obtain fund manager, broker analyst or ESG service provider input
- e) Use the following process to guide voting on Viewpoint:
  - i) **All 'FOR' and 'AGAINST' resolutions recommended by ACSI** – Active Super will consider ACSI's recommendations after reviewing company resolutions.
  - ii) **In the event that Active Super believes there is a significant long term ESG or contentious issue present that is not reflected in the ACSI recommendation** – the Active Super Responsible Investment team will provide an assessment of any significant long term ESG or contentious issues present and a subsequent voting recommendation to the Committee for approval.

In these situations, Active Super approvals are often required to a short time frame. Should the timeframe for these approval recommendations fall outside a scheduled Committee meeting, the resolutions will be escalated via a Circular Resolution which requires approval by two thirds of the Committee. The Committee may determine to forward the decision to the Board for final approval.

- iii) **In the event that Active Super votes 'AGAINST' a company's remuneration report** – Active Super will automatically vote 'AGAINST' the chair of the company's remuneration committee if they are standing for re-election.
- iv) **All 'CLIENT' resolutions recommended by ACSI** – Where resolutions are related to an investment or commercial matter rather than a traditional corporate governance issue, Active Super will engage with the investment manager holding those stocks to seek their recommendation. Active Super would generally support the recommendation from the investment manager unless the Active Super Responsible Investment team and the CIO believe it should be brought to the attention of the Committee, using the same process utilised when a significant long term ESG or contentious issue has been identified, as outlined above.
- v) **In the case of a share placement**, in the event that the fund manager has already participated, Active Super will 'ABSTAIN' from voting on the resolution.
- f) Note: Australian meetings may contain resolution items on which some shareholders may not be permitted to vote. A common example involves a resolution seeking shareholder approval of a private placement of securities. A shareholder is generally not able to cast a vote on that resolution if they have participated in the placement. In this instance we would place a 'TAKE NO ACTION' vote. If there is any doubt about a shareholder's eligibility to vote on any issue, Active Super will consult the relevant investment manager(s) or check the Notice of Meeting to see if it contains a 'Voting Exclusion Statement' for precise details.

### 5.3 International listed equities

- a) The Active Super international equities portfolio covers significantly more stocks (ranging from 500 to over 1,800) and as such the value of our holdings in each company is generally smaller compared to those in our ASX holdings. Active Super currently undertakes international proxy voting in investments in all listed international markets covering both developed and emerging markets. Regions include North America (US and Canada), Europe (multiple countries including Belgium, Denmark, Finland, France, Germany, Great Britain, Ireland, Netherlands, Norway, Spain and Sweden), Latin America and the Caribbean, Middle East and Asia (including Japan, China, Korea, Singapore, Taiwan and Israel) as well as Oceania (New Zealand and dual-listed ASX companies).
- b) Active Super employs an external proxy advisor, CGI Glass Lewis, to execute voting on our behalf via its Viewpoint voting platform. CGI Glass Lewis has formed an arrangement with ACSI to develop international equity voting guidelines which form the basis for Active Super's international equities voting decisions.
- c) Each year there can be a very high number of shareholder resolutions or ESG-type resolutions lodged at the meetings of international companies in which Active Super is an investor, as voting is a common means to engage with

companies and their boards.

- d) Given the large number of international equities holdings with relatively small value, the potentially high frequency of ESG type or shareholder resolutions and the fact that Active Super's international voting recommendations are generally less sensitive than for ASX companies, decisions to vote against ACSI/Glass Lewis' recommendations will be made at Active Super's executive level unless it is determined that it should be forwarded to the Committee. This decisions process will involve the Active Super Responsible Investment team consulting and recommending a vote to the CIO. Any exception-type voting in international equities will be subsequently reported to Committee.

#### **5.4 Resolution filing**

- a) Active Super may file or co-file nominations and resolutions for our ASX and international listed investments. This is where we believe that a shareholder resolution is an appropriate course of action to further engagement with investee companies on significant long-term ESG or contentious issues that may impact shareholder value. To participate in a filing, the Active Super Responsible Investment team will consult with the CIO following engagement with ACSI, CGI Glass Lewis, the company and the institutional investment community and other stakeholders. When filing or co-filing resolutions for ASX listed companies, approval will be sought from the Committee.
- b) Decisions for co-filing resolutions for international equities will generally be made by the CIO following input from the Active Super Responsible Investment Team unless it is determined that the decision should be forwarded to the Committee who, in turn, may determine to forward to the Active Super Board for final approval.
- c) All such co-filing activities will be reported to the Committee.

#### **5.5 Disclosure and reporting**

- a) In line with the regulatory requirements summarised at paragraph 4(b) above, we publish the Active Ownership Policy and our full voting records for ASX and international voting activities on the Active Super website.
- b) As part of our commitment to increasing the transparency and disclosure of how we invest our members' contributions, Active Super proactively discloses our voting decisions before company meetings, including reasoning for our 'AGAINST' votes.
- c) Active Super publishes a six-monthly report on our proxy voting activities on the Active Super website. These reports provide a summary of our ASX and international voting decisions including 'AGAINST' votes, significant long term ESG and contentious issues and market trends.



## 6. Policy Information

**Internal references**      Investment Policy Statement  
Sustainable and Responsible Investment Policy  
Sustainable and Responsible Investment Guidelines

---

**External references**      Superannuation Industry (Supervision) Act 1993 (Cth)  
Superannuation Industry (Supervision) Regulations 1994  
(Cth)  
Principles for Responsible Investment

---

**Effective date**              June 2021

---

**Review**                      Annually

---

**Authorisation**              This Policy is authorised as follows:

Authorised by	Investment Committee
Date authorised	June 2022
Version no	14
Review date	June 2023