

Stewardship Statement

1 July 2018 to 30 June 2019

AustralianSuper is a signatory to the Australian Asset Owner Stewardship Code (the Code).

We support the principles outlined in the Code and the guidance they provide on improving the quality and transparency of company engagement and voting practices of Australian asset owners.

In accordance with the Code, this Stewardship Statement provides an overview of how we promote long-term value creation in the listed equities we invest in through our stewardship activities.

Principle 1: Asset owners should publicly disclose how they approach their stewardship responsibilities

We disclose how we approach our stewardship responsibilities in our Environmental, Social and Governance (ESG) and Stewardship Policy. Given the importance of stewardship in managing risk and maximising long-term returns for members, stewardship activities are an integral part of our investment process.

You can view our ESG and Stewardship policy at australiansuper.com/ESGpolicy

Principle 2: Asset owners should publicly disclose their policy for voting at company meetings and voting activity

Voting on resolutions at general meetings is a key right of shareholders.

AustralianSuper has an active voting process that aims to protect members' interests and produce outcomes that:

- i. Create and/or enhance company value and;
- ii. Ensure value is fairly distributed.

AustralianSuper's ESG and Stewardship Policy highlights stock voting as a key stewardship activity. Transparency is a key element of our voting activity and we publish our international and domestic voting decisions on a quarterly basis on our website.

You can find out more detail on our approach to stock voting and view our share voting records at australiansuper.com/ResponsibleInvestment

Principle 3: Asset owners should engage with companies (either directly, indirectly or both)

Direct Company Engagement

Direct engagement with investee companies ensures that management and boards understand our approach to creating long-term value for members. Engagement with companies enables us to influence and promote improved governance practices and corporate behaviour on a range of ESG issues which are important for long-term investment performance.

We engage with the companies we invest in and the fund managers who invest on our behalf. Our company engagement process encompasses three key areas:

- i. Ongoing relationship building: ensures companies understand the importance of ESG factors on an ongoing basis.
- ii. Themes based engagement: focuses on specific themes that our ESG program has identified as a priority – recent examples include gender diversity, climate change and workforce issues.
- iii. Ad hoc specific issues engagement: seeks resolution of specific ESG concerns or to engage on a particular voting matter.

Although a large investor in our own right, we also undertake direct engagement by either leading or participating in collaborative networks with other investors to amplify our voice and influence.

If engagement doesn't lead to a successful outcome on a material issue, we may escalate our actions and use our voting rights to vote against company resolutions. We may also vote in favour of shareholder resolutions if we believe they will lead to better outcomes for members.

Recent Direct Engagement Activity

In the 18/19 financial year, AustralianSuper had around 80 direct engagement meetings with companies – including company Chairs and/or Chairs of Remuneration Committees.

Indirect Company Engagement

AustralianSuper is a member of the Australian Council of Superannuation Investors (ACSI), which provides proxy voting advice and ESG engagement services. ACSI engages with companies on behalf of AustralianSuper and its other members to expand the breadth of our engagement coverage and strengthen our voice and influence.

AustralianSuper attended or supported 264 meetings with 190 companies across the ASX300 through ACSI in the 18/19 financial year.

Principle 4: Asset owners should monitor asset managers' stewardship activities

AustralianSuper does not outsource its voting or engagement to asset managers. We retain voting rights for listed companies, whether held directly or through external fund managers. This ensures we apply a consistent view and achieve the best outcomes for members.

We recognise, however, that fund managers are generally large active investors and have an important stewardship role to play in the companies in which they have voting rights. We engage with managers to obtain specific voting advice and encourage them to take an active approach to voting. We also undertake a formal ESG review each year of our external equity managers which includes reviewing their voting and company engagement activities.

Principle 5: Asset owners should encourage better alignment of the operation of the financial system and regulatory policy with the interests of long-term investors

We believe it's important to align the operation of the financial system and regulatory policy with the interests of long-term investors to achieve the best investment outcomes for members.

AustralianSuper seeks this alignment through submissions to inquiries on the operation of the financial system and public policy issues. We may do this ourselves or support submissions made on our behalf by collaborative networks such as ACSI.

Recent Activity

During the 18/19 financial year, AustralianSuper submitted feedback to the ASX Corporate Governance Council Consultation on the review of its ASX Corporate Governance Principles and Recommendations.

You can view our submission at asx.com.au/documents/regulation/AustralianSuper.pdf

We articulated our view on improving transparency and sustainable tax practices in our submission to the Global Reporting Initiative (GRI) Consultation on the exposure draft on the Tax and Payments to Governments standard.

You can view this at globalreporting.org/standards/media/2203/letter-from-australiansuper.pdf

We submitted our views on proposed changes to the Australian shareholder class action system in our submission to the inquiry into class action proceedings and third-party litigation funders.

You can view this at alrc.gov.au/wp-content/uploads/2019/08/33_australiansuper.pdf

We supported submissions that ACSI made on behalf of its members. A full list of ACSI's submissions are available at acsi.org.au/submissions

Principle 6: Asset owners should report to beneficiaries about their stewardship activities

AustralianSuper values transparency and believes it's important to keep members informed of our stewardship activities. We publish the following resources on our website:

- › ESG and Stewardship Policy;
- › approach to Stock Voting and quarterly Australian and international voting records;
- › approach to Stewardship;
- › reviews of issue specific stewardship activities including gender diversity, executive remuneration and human rights and the labour supply chain;
- › Annual Report which outlines the progress and focus of our ESG and Stewardship program for the year.

Find out more at:

australiansuper.com/ResponsibleInvestment

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australiansuper.com

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