

Stewardship Statement

1 July 2017 to 30 June 2018

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/investments/how-we-invest/esg-management

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 and climate change;
- 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 may sometimes undertake direct engagement by either leading or participating in collaborative networks with other investors to amplify our voice and influence.

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.

Recent Engagement Activity

During 2017, AustralianSuper had around 70 direct meetings with company boards – typically company Chairs and/or Chairs of Remuneration Committees. ACSI held more than 270 meetings with ASX-listed companies on material ESG issues.

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 2018 Financial Year, AustralianSuper articulated its view in enhancing the financial system's alignment to long-term investors through our submission to the Australian Department of Treasury on the consultation paper on the Banking Executive Accountability Regime.

You can view this at static.treasury.gov.au/uploads/sites/1/2017/08/C2017-T212306-AustralianSuper.pdf

We articulated the need for advancing regulatory policy through our submission to the Senate on the UN Sustainable Development Goals.

You can view this at aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/SDGs/Submissions

We supported submissions that ACSI made on behalf of its members. A full list of ACSI's submissions are available at acsi.org.au/policy-submissions-archive/84-submissions/

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

AustralianSuper values transparency and believes it's important that members are informed of our stewardship activities. We provide a number of resources on our website which report on our activities including:

- > ESG and Stewardship Policy;
- > Approach to Stock Voting;
- > Approach to Stewardship;
- > Domestic and international shareholder voting
- > Reviews of issue specific stewardship activities including gender diversity, executive remuneration and human rights and the labour supply chain;
- > AustralianSuper's Annual Report which outlines key activities of our ESG and Stewardship program for the year.

These resources are published on our website at: australiansuper.com/investments/how-we-invest/esg-management

australiansuper.com/about-us

Contact us

Visit

australiansuper.com

Call

1300 300 273

8am–8pm AEST/AEDT weekdays

Email

australiansuper.com/email

Mail

GPO Box 1901

Melbourne VIC 3001

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