

Active owner program in practice

Executive remuneration



Active Owner Program

We believe active ownership is where we can have an impact on changing company behaviour to improve investment returns for members. Environmental, Social and Governance (ESG) management is an integral part of our Active Owner Program, and is embedded across our investment decision-making process at three levels.



ESG Integration

Assessing and integrating ESG risks and value drivers when choosing and managing investments



Stewardship

Actively engaging with companies to influence and improve ESG practices



Choice

Considering our members' values in our investment choices

Our Active Owner Program aims to ensure remuneration frameworks deliver appropriate pay for performance outcomes, reasonable pay levels and transparent disclosure.

An important part of this is ensuring the right long-term value creation mechanisms are in place and value is fairly distributed.

Stewardship

We actively exercise the rights and responsibilities of being a large shareholder through our engagement and voting activities on executive remuneration issues.

Voting

Voting on remuneration plans is a common activity in the Active Owner Program. We conduct an indepth assessment on the merits of each remuneration plan for companies in our coverage universe.

If we don't believe that a remuneration plan appropriately addresses these principles, we'll vote against the plan. Last financial year, we voted against 5% of ASX company remuneration reports.

Current Australian legislation has a two-strike rule. This rule means that if more than 25% of a company's shareholders vote against an executive remuneration plan for two years in a row, the whole board can be faced with re-election in what is known as a board spill.

This law is designed to give shareholders more influence in the remuneration policies of a company.

Three principles guide our voting decisions on remuneration.

1. It aligns senior executives with the delivery of the company's business strategy and maximises long term value.
2. It's cost effective and not excessive.
3. Its structure is not unduly complex and appropriate disclosures are made to assist shareholder understanding.

Engagement

Engagement with companies is an important part of our Active Owner Program as it enables us to influence the behaviours of the companies in which we invest.

We engage either directly or through the Australian Council of Superannuation Investors (ACSI) with Australian companies in our investment universe that receive a strike.

The vast majority of these companies don't receive a second strike at their next Annual General Meeting.

We also address executive remuneration through our engagement with companies even if they haven't received a strike. In these meetings, we ask for an explanation from companies on the relevance of their remuneration structures.

We also advocate the key principles that we believe should underpin all remuneration plans to ensure long-term value creation, fair distribution of that value and transparent disclosures.

Supporting activities

ACSI regularly engages companies about the structure and size of their remuneration plans.

In addition, ACSI's voting advice regarding remuneration plans is a key input into our active voting process.

We report quarterly on all domestic and international voting decisions, which you can view these at australiansuper.com/InvestmentGovernance

Find out more

Explore our Active Owner Program in Practice series:

- › Integrating ESG considerations into each asset class
- › Climate change
- › Gender diversity
- › Human rights and labour supply chain
- › Executive remuneration

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