

Stewardship Statement

Australian Asset Owners Stewardship Code

February 2019

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Actions we take today should not compromise the outcomes received by our members tomorrow.

First State Super is a signatory to the Australian Asset Owner Stewardship Code (the Code). The Code consists of six Principles and as a signatory to the Code we have developed this Stewardship Statement to provide an overview of how we apply these principles.

As stewards of our members' retirement savings, we have a duty to act in their best interests and to protect and grow the real value of their assets in a sustainable way.

A critical part of this is a responsibility to monitor and engage with companies in which we invest, directly and through the fund managers we appoint. We also use our ownership rights to vote at company AGMs.

Additionally, we take a strong interest in the environmental and social practices of the companies in which we invest. We believe companies that take a sustainable approach to the environment and to the community, including their own workforce, will perform better over the long term.

Principles

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

We disclose how we approach our stewardship responsibilities in our Responsible Investment: Environmental, Social and Corporate Governance Policy.

We recognise that we must be increasingly mindful of the footprint our investments make in markets, communities and on the environment.

We believe that poor management of long term environmental, social and governance (ESG) related risks by a company not only impact our investments but can potentially harm the broader community and environment as well. We require management to be focused on long-term and sustainable value creation.

You can view our policy on our website.

2. Publicly disclose their policy for voting at company meetings and voting activity

As an asset owner, we believe that we have an obligation to ensure that the companies we invest in are governed and managed in an appropriate way that will enhance performance over the longer term, and thereby produce the best financial outcome for members. For this reason, First State Super takes an active interest in the ESG practices of the companies in which we invest, and seek to exert influence on their governance, policies, practices and management through share voting, engagement and advocacy.

We have a significant exposure to listed share investments. Exercising the voting rights attached to shares held in public companies is something we regard as being integral to active ownership. Share voting is an important tool for engaging with companies and is an effective way for the Trustee and other investors to publicly express its views on what a company is doing right, and what a company needs to improve.

You can view our policy for voting and voting activity on our website.

3. Engage with companies either directly, indirectly (for example, via collective action or third-party providers) or both

An important part of investing responsibly is engaging with the companies we invest in so that they understand who we are and what is in our members' best interests.

As part of this engagement, we work with companies to achieve improvements in corporate governance or address under-performance in areas like environmental or social outcomes.

Engagement also includes communication with government regulators to improve the standards that apply to all companies – for instance in taxation law, and the law affecting directors’ duties and financial reporting. Our engagement program works a number of ways. We:

- engage directly with the companies and with fund managers
- participate in collaborative initiatives with other institutional investors, and
- work in conjunction with a specialist corporate engagement firms.

Our direct engagement programme relates to Australian listed companies. We have established and implement an internal Corporate Engagement Framework which sets out our approach, including the principles; methods (i.e. direct, collaborative, facilitated2); screening process; and our prioritisation framework.

First State Super is involved in a number of collaborative initiatives including the Investor Group on Climate Change (IGCC); ESG Research Australia, the Responsible Investment Association Australasia (RIAA), the Principles of Responsible Investors (PRI) and Climate Action 100+.

First State Super is a member of the Australian Council of Superannuation Investors (ACSI) (domestic) and Hermes Eos (international). ACSI and Hermes Eos engages with companies on behalf of First State Super and their other members to expand the breadth of our direct engagement programme and strengthen our voice and influence.

4. Monitor Asset Managers’ stewardship activities

Our manager selection process includes an assessment of how managers integrate environmental, social and governance factors into their investment process. This includes an assessment of their stewardship activities. Following appointment, we monitor our manager’s stewardship activities by requiring specific reporting in their Investment Management Agreements on voting and engagement as well as holding regular review meetings. We also undertake a full review of our manager’s ESG integration approach every two years.

First State Super expects our investment managers to undertake proxy voting, however we maintain the right to override our managers and vote all of our holdings consistently across the portfolio.

5. Encourage better alignment of the operation of the financial system and regulatory policy with the financial interests of long-term investors

First State Super participates in advocacy and policy collaborative initiatives to drive change across the finance industry through our partnerships with ACSI, Hermes Eos, PRI and the IGCC. These collaborative initiatives are key to influencing public policy to ensure the practices being undertaken by companies is promoting a long-term sustainable industry. Through our collaborative initiatives we have advocated for policy on climate change, ASX Corporate Governance Principles, APRA prudential standards; ASIC consultation on capital raising allocations and the Modern Slavery Act. First State Super will also directly participate in policy consultation and a recent example is our submission on the ASX Corporate Governance Principles review.

6. Report to beneficiaries about their stewardship activities

First State Super reports to beneficiaries using the following channels:

- **Website** <https://firststatesuper.com.au/investment-and-performance/investments/environmental-and-social-responsibility>
- **Annual Report** <https://firststatesuper.com.au/about/governance-and-policies/company-reports-and-audit>
- **PRI Transparency and Assessment reports** <https://firststatesuper.com.au/investment-and-performance/investments/environmental-and-social-responsibility>
- **Proxy voting policy and voting outcomes** <https://firststatesuper.com.au/about/governance-and-policies/proxy-voting>



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