

**Australian  
Ethical**



# Australian Ethical Group Policy – Proxy Voting

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## – Proxy Voting

### 1. Context

This policy sets out the principles and guidelines under which rights to vote are exercised by Australian Ethical Investment Limited (AEI), as the Responsible Entity for the Australian Ethical Managed Investment Funds (Managed Funds).

Australian Ethical Superannuation Pty Ltd (**AES**) is the Responsible Superannuation Entity of the Australian Ethical Retail Superannuation Fund (**Super Fund**). AES outsources all investment management activities, including the exercise of voting rights, to AEI under an Investment Management Agreement. As part of this Agreement, AES expects AEI will not support any proposals or governance for any of its investments that have the potential to adversely impact the legitimate interests or expectations of investors and that AEI will judge the overall fairness of any proposal impacting on investors rights with reference to the obligations of the investee entity to all parties and that the preservation and increase of the value of the investment is in the best interests of investors and members.

### 2. Application

The Policy applies to all staff, including Directors, secondees, contractors, service providers and former employees.

### 3. Policy

This policy defines the Groups approach to ensuring it meets the requirements relating to proxy voting disclosure as set out in:

- Financial Services Council FSC Standard 1 – Code of Ethics and Code of Conduct.
- Financial Services Council FSC Standard 13 – Voting Policy, Voting Record and Disclosure.
- Financial Services Council FSC Standard 20 – Superannuation Governance Policy.
- Financial Services Council Guidance Note No.2: Corporate Advisory – A Guide for Fund Managers and Corporations (FSC Blue Book).
- Governance Institute of Australia Improving Engagement between ASX-Listed Companies and their Institutional Investors: Principles and Guidelines
- The website disclosure requirements set out in SIS Act s.29QB(1)(b) and SIS Regulations 2.38.

## 3.1 Corporate Governance

Corporate governance deals with the way in which companies are directed and controlled. AEI's view is that the most appropriate corporate governance is achieved by applying recognised corporate governance principles (such as those detailed in the ASX Corporate Governance Principles and Recommendations). AEI recognises the strong link between good corporate governance and investment value.

AEI is driven by positive social and environmental purpose and is a strong advocate for corporate and industry behaviour change. AEI believes that its actions will empower others to behave in a way that enhances the wellbeing of everyone. AEI also recognises that the exercise of voting rights may have the potential to influence corporate governance and policy. As a signatory to the United Nations' Principles for Responsible Investment (UNPRI), AEI is committed to being an "active" owner, by voting on shareholder issues and participating in engagement activities, and is of the view that exercising voting rights is an important responsibility for all investment managers and superannuation funds.

Voting decisions are made on a case by case basis following an assessment of the matter at hand and after taking into consideration the likely effect on the performance on the Managed Funds and the Super Fund. In exercising its voting rights, AEI may take into consideration the advice of its proxy advisors.

## 3.2 Principles

Consistent with good practice and FSC Standard 1 – Code of Ethics and Code of Conduct, AEI will generally exercise voting and other similar rights, and will do so in a timely and efficient manner where it exercises such rights. AEI will not vote if it is excluded from doing so by the Corporations Act 2001 or other laws, or in cases of conflicts of interest or duty which cannot be resolved lawfully or appropriately. In exercising these rights, AEI takes into account the following principles:

- a. The preservation and increase of the value of the investment is in the best interests of investors and members.
- b. Improving and upholding the governance of investee companies with regard to recognised corporate governance principles (such as those detailed in the ASX Corporate Governance Principles and Recommendations).
- c. The relative performance of the investee company.
- d. The application of the Australian Ethical Charter to the resolution under consideration.

The guiding principle of this Policy is that voting rights should be exercised and proxy votes should be cast in a way designed to ensure that proxies are voted in the best interests of the investors in the Australian Ethical Managed Funds and members of the Australian Ethical Super Fund.

## 3.3 Application

Given the guiding principle that all voting rights should be exercised in the best interests of investors, the view of AEI is that any transaction or proposal which potentially puts at risk the capital or investment of investors in an entity should be considered carefully and subjected to an appropriate level of rigorous scrutiny. The following matters in particular will be examined:

- Changes to capital structures or voting rights. Particular attention is to be given to resolutions or actions imposing differential voting rights share classes or "poison pill" or other anti-takeover provisions which seek to deter appropriate takeover offers.
- Management and Board compensation
- Appointment and re-election of Directors. Particular attention is to be given where Directors are not adhering to diversity policies

- Business conflicts of interest
- Resolutions specifically related to climate matters
- The application of the Australian Ethical Charter to the resolution under consideration
- Any issue or resolution where AEI intends to vote against a Board or management recommendation (whether supported by its proxy advisor or not).
- Any issue or resolution which AEI considers on reasonable grounds to be contentious or divisive having regard to media coverage, industry conventions and relevant laws.

AEI's policy is to vote (or make a considered decision to abstain):

- On all proxies for every resolution in respect of holdings beneficially owned by AEI in companies and other entities publicly listed in Australia, excepting entities for which AEI has no discretion to vote;
- On all proxies for every resolution in respect of holdings beneficially owned by AEI in international shares and other interests, to the extent that it is practicable to do so; and
- On all other interests for which AEI holds voting rights, whether in the form of a proxy vote or otherwise, to the extent that it is practicable to do so, including but not limited to:
  - Managed fund investments (typically exercised through instruction to the custodian); and
  - Fixed income assets (typically exercised through instruction to the custodian)

Decisions on how to vote will be made on a company by company and resolution by resolution basis, with regard to the principles and considerations outlined in Section 3.2 above.

In some instances, AEI may determine, after appropriate consideration, that as a matter of governance, it is more effective and in the best interests of investors in the Managed Funds and members of the Super Fund for AEI to abstain from voting. In instances where AEI has abstained from voting, AEI will retain evidence of its consideration of a resolution and the basis for the decision to abstain from voting.

Should a situation arise in which there is a conflict between the interests of the superannuation members and managed fund investors, AEI should cast different votes in proportion to AES' holding in the relevant security.

In situations where voting rights on AEI holdings have been passed to an external fund manager under the terms of the mandate with that manager, AEI will take appropriate steps to ensure it is still discharging its fiduciary duties over such voting, including (at a minimum):

- Visibility over the manager's Proxy Voting Policy to ensure appropriate consistency with this Policy; and
- Reporting on how the manager is exercising voting rights on behalf of AEI.

For completeness, in some instances it is possible that AEI's votes may not have been "counted" by the issuing entity. This can occur for a variety of reasons, for example, if there is a mismatch between records kept by an entity's registry services provider and the votes cast by AEI or if the entity's share registry currently is being updated. Alternatively, relevant proxy forms may simply be misplaced in the course of the voting process. In addition, there may occasionally otherwise be minor discrepancies in records and administration aspects which lead to differences between eligible votes and those cast. Accordingly, the voting records which AEI disclose reflect the instructions that AEI has given to an entity and/or proxy advisor (if relevant). AEI cannot guarantee then that all of these votes in fact were counted as disclosed. However, the records do reflect AEI's instructions at the relevant time.

## 3.4 Implementing the Policy

Implementation of this policy is delegated by the AEI Board and AES Board to the Chief Investment Officer of Australian Ethical Investment Limited..

### 3.4.1 Deviation from Policy

AEI applies the Policy wherever possible in a flexible manner so as to accommodate the wide variety of circumstances which may arise. Where a vote is to be entered in a manner which is clearly inconsistent with this policy (notwithstanding that such a circumstance is materially unlikely to occur in practice because of the broad and principled nature of this policy), the Chief Investment Officer is to document the reason for such a deviation.

### 3.4.2 Appointment and Role of Proxy Advisor(s)

The Chief Investment Officer is responsible for the appointment of any proxy advisor(s) for AEI. Institutional Shareholder Services (ISS) have been appointed in this role for AEI. The role of the proxy advisor is to:

- Provide the platform through which voting is conducted by AEI;
- Provide recommendations in relation to votes; and
- Submit votes as instructed by AEI.

It is the position of AEI to be actively involved in determining how to exercise its voting rights, and each vote will be made on a case-by-case basis with regard to, but not bound by, the recommendation of the proxy advisor.

## 3.5 Collective Investments and Interposed Entities

In a number of cases, AEI does not hold direct and immediate voting rights because of the interposition of a trust or other structure between AEI and the ultimate investments (e.g. an investment by AEI in a managed investment scheme which then invests pooled or collective moneys).

In such cases, AEI will seek wherever possible to directly influence the exercise of voting rights, such as by:

- Appointing a representative to an advisory committee; or
- Otherwise requesting that the interposed entity exercise its voting rights in a manner consistent with this Policy and report to AEI on the exercise of voting rights.

## 3.6 Disclosure

### 3.6.1 Policy

A copy of this Policy will be made available to Managed Fund investors and Super Fund members via the Australian Ethical website.

### 3.6.2 Voting Record –

No later than three months after the close of each financial year, the Group will publish a summary of its proxy voting activities for the previous financial year on its website, in a searchable form.

This disclosure will be in a form consistent with the requirements set out in **FSC Standard 13: Proxy Voting Policy**, being:

- a. The name of the entity (and the Scheme if relevant).

- b. The ASX or equivalent code/ticker of the relevant interests or securities, unless these are not readily available.
- c. The meeting date.
- d. The resolution number and proposed resolution matter or matters to be voted on at the meeting.
- e. (If known) Whether the resolution was endorsed by the issuer, its management or another person or company
- f. The recommendation by the company management of how to vote
- g. Whether AEI voted on the matter or matters and (If applicable) How AEI voted on the matter or matters.
- h. Where votes cast by AEI were exceptions to this policy, a reason for the inconsistency;<sup>1</sup> and
- i. In the case of a decision to abstain, a record reflecting that AEI abstained from voting<sup>2</sup>

### 3.7 Whistleblower provisions

In certain circumstances an individual may be concerned that unacceptable behaviour, misconduct or other reportable conduct (as defined in the Whistleblowing Policy) has occurred in relation to this Policy but be in a position where he or she believes it would be personally damaging to pursue through normal channels. The Whistleblowing Policy sets out the guidelines and procedures for dealing with information that may be provided with regard to unacceptable behaviour, misconduct, breaches of the Corporations Act 2001, the Australian Securities and Investments Commission Act 2001, the Superannuation Industry (Supervision) Act 1993 and all other matters relevant to whistleblowing. All employees are encouraged to report any known or suspected incidences of reportable conduct to the Whistleblower Protection Officer (WPO) (the Primary WPO is the Group General Counsel and the Secondary WPO is the Chief Risk Officer).

### 3.8 Review

This policy is to be reviewed on an annual basis. All changes to the policy are to be approved by the AEI Board and the AES Board.

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<sup>1</sup> Deviations from this policy cannot occur in practice because this policy states that votes are to be cast on a case by case basis rather than setting a prescribed manner in which certain votes will be cast.

<sup>2</sup> While Australian Ethical will keep an internal record of the reason for abstention from a vote, this information is commercially sensitive and accordingly cannot be included in the public proxy voting record disclosure.