

# **FSC Standard No.13**



## **Proxy Voting**

**October 2004**

**Main features of this Standard are:**

- **to require disclosure of Proxy Voting policy;**
- **to require publication at least annually of Australian Proxy Voting record;**
- **to standardise disclosure of Proxy Voting record.**

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- 1 **Title**
- 1.1 **This Standard (the “Standard”) may be cited as FSC Standard No. 13 ‘Proxy Voting’.**
- 2 **Standards and Commentary**
- 2.1 **The standards set out in this Standard are shown in bold print. Commentary is shown in normal print immediately after the Standard to which it relates, as an aid to interpretation of the Standard.**
- 3 **Date of Issue**
- 3.1 **21 October 2004**
- 4 **Effective Date**
- 4.1 **This Standard must be applied to FSC member companies operations on and after 1 January 2005. Early application of this Standard is encouraged.**
- 5 **Application**
- 5.1 **This Standard applies to all FSC members**
- 5.2 Where there is a conflict between the requirements of this Standard and any applicable legislation, the requirements of this Standard should, having regard to the purpose of the Standard, be modified appropriately so that, as far as is practicable, the Scheme Operator complies with the requirements of this Standard.
- 5.3 This Standard should be read in conjunction with FSC Standard No.1 Code of Ethics & Code of Conduct.
- 5.4 **Scope of the Standard**
- 5.5 This Standard applies in respect of retail public offer Schemes where the Scheme Operator has the ability to participate in the governance of underlying investments. It does not apply to IDPS and IDPS-like arrangements where the client has the responsibility for investment selection, or to private client or discrete wholesale mandates. Proxy Voting requirements are matters to be determined by the Scheme Operator and client in private client and wholesale mandate arrangements.
- 5.6 The Standard does not apply to a ‘manage the manager’ or ‘fund of funds’ investment style unless the Scheme Operator requires the fund manager to vote on company resolutions as directed by the Scheme Operator, or the fund manager is a related body corporate (as defined in the Corporations Act 2001) of the Scheme Operator. In circumstances where a Scheme Operator directs the investments of various Schemes to an underlying investment trust operated

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by the Scheme Operator or related body corporate, the reporting of proxy votes as required by clause 10 of this Standard should be made at the underlying investment trust level and disclosed at the Scheme level.

- 5.7 The primary objective of a fund manager is to generate investment returns. Their performance is generally benchmarked against the performance of their peers or a relevant index. Where a fund manager is engaged by a Scheme Operator on the basis of its investment style or sector expertise, the fund manager and not the Operator will make the investment selections. The Scheme Operator is primarily concerned with the investment performance and returns generated by the fund manager.

### 6. Statement of Purpose

- 6.1 This Standard on Proxy Voting specifies requirements for disclosure of Proxy Voting policies, including the summary disclosure of proxy votes to the Members of each Scheme operated by FSC member companies.
- 6.2 Scheme Operators have fiduciary responsibilities to Scheme Members to act in their best interests and to prefer the interests of Scheme Members to their own interests.
- 6.3 In managing investments on behalf of Scheme Members, Scheme Operators must ensure that investments are managed exclusively in the financial interests of Scheme Members. As the trustees of investments, Scheme Operators have a general responsibility to use best efforts to preserve and increase the value of investments.
- 6.4 As a matter of best practice, the Scheme Operator should contribute to improving and upholding the governance of entities and markets in which they invest<sup>1</sup>. Voting, by Scheme Operators, is one way in which the interests of Scheme Members can be represented. Other ways include open and constructive communication about governance issues with the board and management of entities in which the interests are held.
- 6.5 Scheme Operators and Investment Managers may issue voting instructions where they do not hold the investment interests directly, but through a custodian. In addition, Proxy Voting agencies may contract with the Scheme Operator, Investment Manager, custodian or beneficial owner of the interests to advise on voting and the issuing of voting instructions.

### 7 Definitions

- 7.1 Unless otherwise defined in this Standard, FSC Guidance Note No. 5 'Industry Terms and Definitions' provides the definition of any industry terms used. For the purposes of this Standard: "**Proxy Voting**" means the exercise by the Scheme Operator or its authorised agent of voting rights for Scheme assets.

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<sup>1</sup> International Corporate Governance Network, *Statement on Institutional Shareholder Responsibilities* issued 10 December 2003.

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- 8. Proxy Voting Policy**
- 8.1 Scheme Operators must have a formal Proxy Voting policy approved by the Board and that sets out the principles and guidelines under which proxies are voted.**
- 8.2 The Proxy Voting policy may form part of the written Corporate Governance policy of a Scheme Operator<sup>2</sup>. Scheme Members should be aware of the Proxy Voting policy and voting practices of the Scheme Operator.
- 8.3 The Proxy Voting policy must be made available to a Scheme Member on request.**
- 8.4 This requirement can be satisfied either by publishing the Proxy Voting policy on the website of the Scheme Operator, including it in the Offer Document for the Scheme, or by making a printed copy of the policy available to the Scheme Member on request.
- 8.5 The disclosure by a Scheme Operator of their Proxy Voting policy to Scheme Members is considered to be an important aspect of the governance and management of investments on behalf of those Scheme Members.
- 9. Voting of Proxies**
- 9.1. Scheme Operators should vote on all Australian company resolutions where they have voting authority and responsibility to do so<sup>3</sup>.**
- 9.2. Consistent with the high governance standards expected of Scheme Operators, a Scheme Operator should vote on all resolutions considered at general meetings of an Australian listed company regardless of the 'materiality' of a resolution. Where a Scheme Operator does not vote, that decision must be disclosed as part of the Proxy Voting reporting requirements required under this Standard.
- 10. Reporting of Proxy Votes**
- 10.1. Scheme Operators must publish, at least annually, a summary of their Australian Proxy Voting record for the previous year. Publication should be made as soon as practicable but within two months of the end of the relevant year for the Scheme**
- 10.2. The aggregate summary of the Australian proxy voting activity of the Scheme

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<sup>2</sup>Blue Book – FSC Guidance Note No. 2: Corporate Governance: A Guide for Fund Managers and Corporations (June 2009) Guideline 1 – Corporate Governance Policy and Procedures states “Fund Managers should have a written Corporate Governance Policy which is made available on their website. The policy should be approved by the board of the Fund Manager and should note the general principles underpinning formal internal procedures to ensure that the policy is applied consistently....This policy should document processes regarding engagement with companies on Corporate Governance activities and ensuring that voting rights are managed with due care and diligence.

<sup>3</sup> Blue Book (referred to in footnote 2 above) Guideline 3 – Voting on Company Resolutions refers to this Standard and its requirement that voting should occur on all resolutions regardless of materiality.

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Operator must be disclosed to Scheme Members. The summary should include:

- the number of resolutions for which the Scheme Operator exercised its voting discretion;
- the number of resolutions for which the Scheme Operator voted in favour;
- the number of resolutions for which the Scheme Operator voted against;
- the number of resolutions for which the Scheme Operator abstained<sup>4</sup>; and
- the number of resolutions for which the Scheme Operator took no action.

The summary should be presented both as numbers and as percentages of the total number of resolutions considered at a general meeting of the entities in which the Scheme Operator has discretion to vote on interests held on behalf of Scheme Members.

10.3. The following table should be used to standardise the disclosure of the Scheme Operator's Proxy Voting record.

|        | Resolutions <sup>5</sup> | For <sup>6</sup> | Against <sup>7</sup> | Abstain <sup>8</sup> | No Action |
|--------|--------------------------|------------------|----------------------|----------------------|-----------|
| Number |                          |                  |                      |                      |           |
| %      |                          |                  |                      |                      |           |

10.4 The Scheme Operator may provide additional information in respect of its Proxy Voting record and may choose, for example, to provide explanations of its vote on contentious or material issues; where it has abstained from voting; or, delegated the voting of non-contentious issues to the Chair of the shareholder meeting. The Scheme Operator may also choose to distinguish between resolutions put forward by management and resolutions put forward by Scheme Members. This Standard does not limit the type or nature of the disclosures that a Scheme Operator may provide to its Scheme Members.

10.5 The standardised Proxy Voting table should be published on the website of the Scheme Operator. If the Scheme Operator does not have a website, the publication requirement may be satisfied by including the report of Proxy Voting

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<sup>4</sup> A Scheme Operator will be taken to have "abstained" from voting rather than to have taken "No Action" where they have considered the resolution(s) but decided to neither support nor oppose the resolution(s). A Scheme Operator must retain evidence of their consideration of a resolution and the basis for the decision to abstain from voting.

<sup>5</sup> Only resolutions for which the Scheme Operator has discretion to vote are to be included.

<sup>6</sup> The Scheme Operator may choose to distinguish between resolutions put forward by management and resolutions put forward by Scheme members.

<sup>7</sup> The Scheme Operator may choose to distinguish between resolutions put forward by management and resolutions put forward by Scheme Members.

<sup>8</sup> Includes the delegation of voting decisions on non-contentious issues to the Chair of the shareholder meeting.

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record in the Offer Document for the Scheme, or making a printed copy of the report of Proxy Voting record available to a Member on request.