

# FSC Guidance Note No. 45

**Diversity, Proxy Voting  
and ESG in  
Superannuation**  
25 July 2022

# FSC Guidance Note No. 45

## Diversity, Proxy Voting and ESG in Superannuation

**Date of this version:** 25 July 2022

**History (prior versions) of this Guidance Note:** No prior versions in the form of a Guidance Note but incorporates content from the now repealed Standard 20 *Superannuation Governance Policy* 26 March 2013 version.

Minor wording amendments made on 27 March 2023.

**FSC Membership this Guidance Note is most relevant to:** This Guidance Note is relevant to FSC Members broadly. However, it is of particular relevance for FSC Members who are trustees holding a licence to operate a registrable superannuation entity (**RSE**) under the provisions of the *Superannuation Industry (Supervision) Act 1993* and Regulations (collectively, **SIS**).

**Main Purpose of this Guidance Note:** The purpose of this Guidance Note is to promote industry practices of trustees of superannuation entities for **Environmental, Social and Governance (ESG)** risk management, proxy voting record and trustee board diversity.

**Disclaimer:**

*This document does not constitute any legal, accounting, tax or financial product advice, and does not take into account the objectives, financial situation or needs of any person or the terms of any commercial transaction. Users should obtain their own professional advice tailored to their own circumstances before using this document for their own commercial purposes. The Financial Services Council Ltd (FSC) does not give any warranty with respect to this document and has no responsibility for any loss, damage or liability whatsoever arising from the use of this document. The use of this document is subject to the terms and conditions prescribed by the FSC from time to time in relation to the access, use, transmission or dissemination of this document.*

## Table of Contents

	<b><u>Paragraph</u></b>	<b><u>Page</u></b>
<b>Title</b>	1	4
<b>Date of Issue (and history)</b>	2	4
<b>Effective Date</b>	3	4
<b>Application</b>	4	4
<b>Summary of Guidance Note</b>	5	4
<b>Statement of Purpose</b>	6	4
<b>General Principles and Comments</b>	7	5
<b>Environmental, Social and Governance (ESG) Risk Management Policy</b>	8	6
<b>Voting and Proxy Voting Record</b>	9	8
<b>Diversity Policy</b>	10	8
<b>Definitions</b>	11	9
<b>Appendix: Model Statement for a Relevant Licensee</b>		10



# FSC Guidance Note No. 45

## 1. Title

This Guidance Note may be cited as *FSC Guidance Note 45 Diversity, Proxy Voting and ESG in Superannuation*.

## 2. Date of Issue (and history)

This Guidance Note was issued on 25 July 2022. This is the first Guidance Note but incorporates content from the now repealed **FSC Standard 20 Superannuation Governance Policy** 26 March 2013 version (**Standard 20**).

## 3. Effective Date

This Guidance Note commences operation on 25 July 2022.

## 4. Application

### General Principle

This Guidance Note applies to FSC members who are trustees (**relevant licensees**) holding a licence (relevant licence) to operate an RSE under the provisions of SIS (**relevant RSE**) in relation to each public offer fund that the FSC Member operates. In this Guidance Note, RSE Member refers to the member of the RSE (that is, the superannuation entity) and FSC Member refers to the relevant licensee which is a member of the Financial Services Council Limited (**FSC**) and are encouraged to follow the principles in FSC's Guidance Notes.

## 5. Summary of Guidance Note

### 5.1 In summary, this Guidance Note:

- a) recommends a relevant licensee to develop and implement (and disclose to RSE Members) in relation to each RSE it operates, an ESG risk management policy;
- b) recommends a relevant licensee to develop and implement in relation to each RSE it operates, a policy concerning diversity of Board membership and disclose to RSE Members the policy or a summary of that policy (with the policy including a requirement for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them and to disclose to RSE Members that information); and
- c) recommends a relevant licensee to develop and publicly disclose to RSE Members in relation to each RSE it operates, its voting policy and to publish its Australian proxy voting record in accordance with **FSC Standard 13 Voting Policy, Voting Record and Disclosure**.

More information and details concerning these recommendations are set out in the following sections of this Guidance Note.

## 6. Statement of purpose

### General

- 6.1 The purpose of this Guidance Note is to promote strong industry practices of trustees of superannuation entities for Environmental, Social and Governance (ESG) risk management, proxy voting record and trustee board diversity.

### Presentation and templates

- 6.2 It is important that this Policy delivers a clearer picture for superannuation fund members – given that one of the key objectives of this Policy is to increase transparency of the superannuation industry.

Transparency as well as comparability of fund information can be vastly improved under a common template. Use of the template however is **not mandatory** (see paragraph 6.9 below).

# FSC Guidance Note No. 45

6.3 In particular, a template form of Guidance Note disclosure has been developed in relation to:

- a) proxy voting records;
- b) ESG reporting; and
- c) Diversity Policy.

Disclosure of director and senior management remuneration is not dealt with by this Guidance Note.

6.4 A form of a model Governance Policy is set out in the Appendix (the **Model**). ***The use of this Model is not mandatory. The Model is a suggested form only.*** The circumstances of FSC Members may well differ. Accordingly, mandatory use of the precise wording of the Model is impractical and inappropriate. ***Accordingly, a relevant licensee is free to choose the precise form of wording which is most suitable for the licensee. A relevant licensee for example may choose to adopt the text of the Model, modified or amended as might be appropriate or required having regard to its particular circumstances or any specific legislative obligations. Alternatively, a relevant licensee may choose to make disclosure by reference to its own template.***

6.5 A relevant licensee if it wishes or thinks appropriate may provide further or more detailed information than that set out by this Guidance Note or contained in the Model.

6.6 Subject to any relevant legislative requirements, relevant licensees may choose to disclose this information in a manner the licensee chooses. For example, a licensee may choose to make all of the information available on its website, or alternatively provide details of its Voting Policy in the annual report to RSE Members under a specific "Governance" section (with a reference to its website for details of the exercise of its Voting Policy, that is, its Voting Record for the relevant financial year). At a practical level, and depending on the volume of information to be disclosed, it is likely that most licensees will choose to rely on website disclosure of Voting Records at least.

## 7. General principles and comments

7.1 This Guidance Note applies to FSC Members who hold a **relevant licence** as defined in paragraph 4 above (**relevant licensee**) in relation to each public offer fund RSE that the FSC Member operates (i.e. a **relevant RSE**).

7.2 The terms of this Guidance Note have been developed by reference to the now repealed March 2013 version of FSC Standard 20.

The FSC envisages that the recommended principles of this Guidance Note will be incorporated into a broader governance policy of a relevant licensee. This Guidance Note encourages various matters to be disclosed by a relevant licensee in relation to each RSE it operates and to make this disclosure available to RSE Members. This disclosure could be included in an RSE annual report or alternatively on the licensee's website or both.

7.3 The effective date of this Guidance Note for relevant licensees is 25 July 2022.

7.4 Where there is a conflict between the principles of this Guidance Note and any applicable legislation or other instrument binding on an FSC Member (such as SPS 510), the principles of this Guidance Note should be modified appropriately, having regard to the purpose and spirit of this Guidance Note, so that, as far as is practicable, an FSC Member complies with both the legislation and this Guidance Note. However, it should be emphasised that where this Guidance Note contains principles that are additional to, expand upon or supplement another binding requirement (such as legislation or an APRA prudential Guidance Note), this is not to be treated as an inconsistency and an FSC Member is expected to comply with the other binding requirements and encouraged to follow relevant principles in this Guidance Note. An example of this is provided by SPS 510 which does not address issues such as the diversity of the Board of an RSE licensee. This is to be compared with this Guidance Note which directly addresses this matter.

7.5 Where there is a conflict between this Guidance Note and the company constitution of an FSC Member subject to this Guidance Note or any other internal processes or procedures of the FSC Member, it is recommended that the FSC Member take the steps necessary to achieve consistency with this Guidance Note as far as is practicable.

# FSC Guidance Note No. 45

## 8. Environmental, Social and Governance (ESG) Risk Management Policy

### Background

- 8.1 Many superannuation entities (and other investment entities) now integrate ESG factors into investment analysis and decision-making concerning investments. A commonly stated rationale in this context is that poor management of ESG issues can lead to financial risks as well as a decline in the long-term value of investments. It follows that an analysis of ESG exposures and risks may offer investors potential long-term performance advantages.
- 8.2 Accordingly, monitoring the ESG activities of investee companies is an important aspect of trustees discharging their duties to members. Thus, the development and implementation of an ESG Risk Management Policy is considered to be a critical for superannuation trustees. Ideally, such an ESG Policy should document processes regarding engagement with investee entities on environmental, social and corporate governance activities and ensuring that voting rights are managed with due care and diligence.
- 8.3 In February 2016, the FSC and the Australian Council of Superannuation Investors launched the second *ESG Reporting Guide for Australian Companies (GN 30)*. The Guide highlights the minimum information and reasonable data requirements that are needed for our member organisations to successfully price, analyse and manage Environmental, Social and Governance (ESG) investment risks.
- 8.4 Consistent with openness and transparency, a relevant licensee in order to comply with this Guidance Note must disclose and make publicly available its ESG Risk Management policy. As mentioned previously, this may occur in the Annual Report, on a section of the RSE licensee's website or a combination of both.

A form of disclosure of an ESG Policy and its role in risk management is set out in the Model at Appendix A.

### ESG Risk Management Policy (ESG Policy)

- 8.5 **It is a key principle/recommendation of this Guidance Note** that a relevant licensee which offers a default fund or product for the purposes of the superannuation guarantee charge choice of fund rules (including a MySuper product) should implement and develop an ESG Risk Management Policy for that fund or product (and address in the formulation and development of that policy the questions outlined in paragraph 10.9). **In addition, it is a recommendation of this Guidance Note** that such a relevant licensee also should disclose that policy to RSE Members of the particular fund or product. In the following paragraphs of this Section, some comments are made concerning the formulation and implementation of an ESG policy.

### Implementing an ESG policy

- 8.6 The management of ESG issues of a company can have a major influence on its ability to generate long term shareholder value and as a result the performance of superannuation funds.
- A new member joining the workforce today will expect to work for over 40 years. Over that time the risk and returns on their superannuation investments will be influenced by environmental, social and governance factors. Therefore it is imperative that superannuation funds manage these risks with a view to maximising shareholder value and increasing shareholder returns over the long-term.<sup>1</sup>
- 8.7 Relevant licensees will need to consider the ESG issues that are most important and material to the investor, which may depend on the ESG risks and opportunities faced by the fund and potentially by sector or geography. For illustrative purposes, potential ESG issues that may be relevant to a fund include, but are not limited to, the following:

<sup>1</sup> 'A Guide for Superannuation Trustees on the Consideration of Environmental, Social & Corporate Governance risks in Listed Companies', Australian Council of Super Investors, October 2009.

# FSC Guidance Note No. 45

Environmental	Social	Governance
Air and water pollution	Diversity and equal opportunities	Anti-competitive behaviour
Biodiversity	Employee engagement	Audit committee structure
Climate Change	Government and community engagement	Board composition
Deforestation	Human rights	Bribery and corruption
Energy efficiency	Indigenous rights	Compliance
Waste management	Labour standards	Executive remuneration
Water scarcity	Product safety and liability	Stakeholder dialogue

Developing an ESG policy for a MySuper investment strategy

- 8.8 **Accordingly, it is a recommendation of this Guidance Note** that in developing an ESG policy relevant to a MySuper investment option, a relevant licensee **should disclose**, at least, the questions put in the table below (the **possible** focus points in that table are set out for convenience).

Question	Possible ESG policy points of focus
1. How will the fund incorporate a consideration of ESG in the investment decisions that it makes?	Address ESG issues in investment policy statements Develop procedures to identify ESG risks or opportunities Undertake ESG due diligence for investments where ESG risks are likely to be material Develop sector or risk limits based on ESG factors Assess the capabilities of internal and external investment managers to incorporate ESG issues Request investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis
2. How will the fund monitor the ESG exposure across its portfolio of investments?	Periodic monitoring of key ESG trends across sectors within portfolio Periodic reporting by investment service providers on: A thematic basis A sectoral basis An asset by asset basis
3. How will the fund act on ESG risks?	Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate) Communicate ESG expectations to investment service providers Engage with companies on ESG issues Participate in collaborative engagement initiatives with other investors Exercise voting rights or monitor compliance with voting policy (if outsourced) Participate in the development of policy, regulation, and standard setting File shareholder resolutions consistent with long-term ESG considerations Ask investment managers to undertake and report on ESG-related engagement
4. How will the fund report to its members on the actions it has taken in relation to ESG issue?	Disclose where a signatory to ESG related initiatives such as the UN Principles of Responsible Investment. Disclose active ownership activities (voting, engagement, and/or policy dialogue) Report on progress to members in relation to the actions taken

# FSC Guidance Note No. 45

- 8.9 A relevant licensee prudently should advise investors that the licensee will focus on material ESG risks that have the potential to impact companies, and hence investor returns, during the expected investment horizon of the RSE.

## 9. Voting and proxy voting record

### FSC Standard Requirement

- 9.1 For ease of reference, it is noted in this Guidance Note that a relevant licensee is required, in accordance with **FSC Standard No. 13 Voting Policy, Voting Record and Disclosure**, to:
- a) develop and implement a voting policy, (**Voting Policy**);
  - b) in that Voting Policy, address the issue of whether or not proxy advisers are engaged to advise as to the exercise of voting rights by the licensee;
  - c) disclose the Voting Policy, and;
  - d) publish its proxy voting record in relation to Australian investments held by it in relation to each relevant public offer fund RSE that it operates.

### Explanation and Background

- 9.2 Trustees of superannuation entities, directly or indirectly, are significant asset holders of Australian equity and other investments. As the pool of superannuation funds grows, this ownership concentration and influence will increase exponentially.

In order to maintain market integrity and the health of the economy and our capital markets, it is important that superannuation members and other market participants are aware of the voting behaviour of superannuation funds and the principles guiding decision making.

## 10. Diversity Policy

### Requirement

- 10.1 **It is a recommendation of this Guidance Note** that a relevant licensee in relation to each relevant public offer fund RSE it operates:
- a) develop and implement a Board diversity policy, (**Diversity Policy**);
  - b) include in that Diversity Policy, principles that the Board establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them;
  - c) disclose to RSE Members, as required by this Guidance Note the Diversity Policy, and;
  - d) if not already disclosed as part of disclosure of the Diversity Policy, disclose, as required by this Guidance Note, the Board's annual assessment of the gender diversity objectives under its Diversity Policy and the Board's progress in achieving those objectives.

### Explanation and Background

- 10.2 The ASX Corporate Governance Council encourages companies in Australia to foster a governance culture that embraces diversity in the composition of corporate boards, with a focus on the participation of women.<sup>2</sup> The Governance Principles note that:

*Diversity is an economic driver of competitiveness for companies. Research has shown that increased gender diversity on boards is associated with better financial performance, and that improved workforce participation at all levels positively impacts on the economy. The promotion of gender diversity broadens the pool for recruitment of high quality employees, enhances employee retention, encourages greater innovation, and improves corporate image and reputation.*

*Reporting on the diversity profile of the company facilitates greater transparency and accountability in relation to the policy that has been put in place, together with the objectives to be achieved by the company.<sup>3</sup>*

<sup>2</sup> Recommendation 3.3 of the Governance Principles at page 25.

<sup>3</sup> Commentary to recommendation 3.4 at page 25 and reference therein cited.



# FSC Guidance Note No. 45

- 10.3 These principles of diversity, in the view of the FSC, should extend to the Boards of relevant licensees. By the same process of reasoning, a Diversity Policy potentially should benefit a relevant RSE's Members and the "talent pool" for directors (whether independent or executive) expanded. In cases where a relevant licensee already applies the ASX diversity policy (for example, it has been adopted on a group-wide basis), then this may be adopted as the Diversity Policy by the relevant licensees.

## **Developing and Implementing a Board Diversity Policy**

- 10.4 **It is a recommendation of this Guidance Note** that a relevant licensee, in relation to each relevant public offer fund RSE it operates, develops and implements a Board Diversity Policy in accordance with this Guidance Note.
- 10.5 The Diversity Policy should include a requirement for the Board of a relevant licensee to establish measurable objectives for achieving gender diversity and for the Board to assess those objectives and progress in achieving the objectives on an annual basis.

## **Disclosure of Board Diversity Policy and Progress in achieving Objectives**

- 10.6 **It is a recommendation of this Guidance Note** that a relevant licensee, in relation to each relevant public offer fund RSE it operates, disclose to RSE Members its Board Diversity Policy and the progress which has been made in achieving or attaining the gender diversity objectives of that Policy.<sup>4</sup>
- 10.7 It is a recommendation of this Guidance Note that a relevant licensee should disclose, as recommended by this Guidance Note, the Board's annual assessment of the gender diversity objectives under its Diversity Policy and the Board's progress in achieving those objectives.
- 10.8 As is the case with the other governance policies outlined in this Guidance Note, a relevant licensee if it wishes or thinks appropriate may provide further or more detailed information than that prescribed by this Guidance Note or contained in the Model. As mentioned previously and subject to any relevant legislative requirements, Operators may choose to disclose this information in the manner the Operator chooses. For example, an Operator may choose to make all of the information available on its website or alternatively, provide details of its Board Diversity Policy in the annual report to RSE Members under a specific "Governance" section. At a practical level, and depending on the volume of information to be disclosed, it may be more convenient and effective in terms of disclosure for an Operator to make all disclosures on its website.

## **11. Definitions**

- 11.1 Where an expression used in this Guidance Note is also used in any legislation, but that expression is not defined in this Guidance Note, then that expression will have the meaning it has in any relevant legislation.

---

<sup>4</sup> FSC Members may find it useful to refer to Principle 3.2 and Box 3.2 of the ASX Corporate Governance Principles, at page 24 for the content of a diversity policy.

# FSC Guidance Note No. 45

## Appendix – Model Statement for a relevant licensee

### *Appendix – Model Statement for a relevant licensee*

**NOTE TO FSC MEMBERS: THIS MODEL STATEMENT IS AN EXAMPLE ONLY AND IS NOT INTENDED TO BE PRESCRIPTIVE. FSC MEMBERS ARE FREE TO ADAPT THIS FORM OF DISCLOSURE OR USE A DIFFERENT FORM OF DISCLOSURE AND ENCOURAGE MEMBERS TO FOLLOW THE RECOMMENDATIONS OF THIS GUIDANCE NOTE.**

#### A. PROXY VOTING POLICY

**REFERENCE ALSO SHOULD BE MADE IN THIS CONTEXT TO THE MODEL PROVIDED IN FSC STANDARD 13 VOTING POLICY, VOTING RECORD AND DISCLOSURE**

<RSE LICENSEE> adheres to principles of appropriate governance in the conduct of its operations in relation to <RSE>. It looks to its service providers and entities in which it invests (**investee entities**) to follow similar principles. Accordingly, we have established, in accordance with the FSC Standard 13 *Voting Policy, Voting Record and Disclosure*, a policy set out in this section, relating to the exercise of our voting rights in investee entities.

We have established this policy having regard to relevant legislative requirements and to principles and statements of policy as representative of “best practice” as outlined by a number of bodies and publications, including:

- The FSC Standards and Guidance Notes, as applicable;
- The Blue Book;
- ASX Corporate Governance Principles (ASX);
- International Corporate Governance Network Principles and;
- The Australian Council of Superannuation Investors Governance Guidelines.<sup>5</sup>

<RSE LICENSEE> considers that:

- the voting rights it holds as rights to be held by it and exercised in the course of its duties as trustee of <RSE>;
- its voting rights are critical for it in communicating its views to investee entities;
- its mandated investment managers should not support any proposals or governance that have the potential for adversely impacting the legitimate interests and expectations of investors, and;
- the overall fairness of any proposal impacting on investor rights should be judged by reference to the obligations of the investee entity to all parties and the prospect of the proposal generating a reasonable rate of return to investors, measured against the matrix of best practice as noted above.

#### **Transparency and Disclosure**

The view of <RSE LICENSEE> 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 should be examined:

#### 1. Changes to Capital Structures

As a matter of principle, investors should be entitled to expect that there is a return of profit in exchange for the risk capital invested. Structures or proposals which impede the proper flow of profits to investors or otherwise “clog” or damage capital structures from this perspective should not be

<sup>5</sup> These are examples only. Members may wish to modify relevant “source material” for their purposes as they think relevant.

# FSC Guidance Note No. 45

## Appendix – Model Statement for a relevant licensee

supported. Arrangements which restrict or impair the sale value of equity interests should not be supported.

### 2. Voting Rights

Within the rules set by relevant regulation, such as the Corporations Act or the ASX Listing Rules, investors have a right to determine the composition of the board of directors of an investee entity and to scrutinise capital transactions to the extent permitted by law. Transactions or proposals which impact upon these principles should not be supported.

### 3. Management and Board Compensation

<RSE LICENSEE> considers that the compensation scheme for management and directors of an investee entity should be reasonable having regard to investor interests and performance measurement principles.

An investee entity should report appropriately on remuneration, from both the perspective of compliance with the "black letter law" and the spirit of remuneration disclosure, with a particular emphasis on how in the longer term remuneration impacts on the investee entity's performance.

It is anticipated that remuneration levels and policy are reported in a form that is easily accessible and understandable format.

### 4. Appointment of Directors

It is fundamental that directors of an investee entity bring relevant skills and to their roles. Directors also should ensure that management performs at least to expectations satisfactorily.

It is anticipated that all directors should have reasonable experience for their role. No director of an investee entity should have any material or significant conflicts of interest or duty.

It is important that the investee entity demonstrate directors have appropriate skills and commitment by appropriate disclosure of attendance at board and committee meetings.

Appropriate succession planning and strategy policies should also be fully disclosed by investee entities.

Board or directors who do not meet these requirements should not be supported.

### 5. Business Conflicts of Interest

All external dealings by an investee entity should be on an arm's-length basis and proper disclosure made of any conflicts in all dealings with suppliers and the public.

#### Implementation of <RSE Licensee's> Proxy and Voting Policy

##### **Responsibility for Policy**

The <**Chief Investment Officer**> is responsible for implementation of this policy.

<**RSE Licensee's**> preference is to support and vote in favour of a Board or management recommendation. However, where a recommendation is not consistent with our policies, the recommendation will not be supported.

In some instances, as part of an investment mandate, <**RSE Licensee**> will authorise our investment managers to exercise our voting rights in accordance with the best practice principles outlined above.

# FSC Guidance Note No. 45

## Appendix – Model Statement for a relevant licensee

Nevertheless, **<RSE Licensee>** at all times retains its voting and other rights in relation to its investments and reserves the right to override a manager's ability to exercise such rights as it thinks fit.

**<RSE Licensee's>** ESG Manager is involved in the review and implementation of **<RSE Licensee's>** proxy and voting policies from the perspective of identifying proposals which are inconsistent with the ESG components of **<RSE's>** risk management policy or otherwise give indications of systemic risk.

**<RSE Licensee>** applies its policy wherever possible in a flexible manner so as to accommodate the wide variety of circumstances which may arise.

### Listed Australian Equities

**<RSE Licensee>** has provided mandates to its investment advisers and managers to notify **<RSE Licensee's>** of voting recommendations whenever a recommendation is to vote **against** a Board or management recommendation.

**<RSE Licensee's>** ESG Manager takes into account any advice received from investment managers and voting advisory services in the implementation of **<RSE Licensee's>** proxy voting policy for listed Australian equities.

Further investigation may be required before exercising voting rights. If a particular issue is not addressed by best practice material or the situation is unusual.

### Listed International Equities

**<RSE Licensee's>** investment managers have a mandate to exercise its voting rights in relation to international equities holdings wherever possible and consistent with the guidance outlined above. **<RSE Licensee>** monitors these activities and retains the ability to override any voting instructions provided by a manager to the custodian of the assets.

### Collective investments and Interposed Entities

In a number of cases, **<RSE Licensee>** will not hold direct and immediate voting rights because of the interposition of a trust or other structure between it and the ultimate investments (e.g., an investment by **<RSE Licensee>** in a pooled superannuation trust or a managed investment scheme which then invests pooled or collective moneys). In such cases, **<RSE Licensee>** requests that the interposed entity exercise its voting rights in a manner consistent with this voting policy and to report to **<RSE Licensee>** on the exercise of voting rights.

### Disclosure

Disclosure of **<RSE Licensee's>** voting record in respect of the reporting period is set out below.

**Refer to the Model set out in Standard 13 Voting Policy, Voting Record and Disclosure for examples of suggested forms of disclosure.**

### Nature of the RSE- Platform/Wrap

As members would be aware your interest in **<RSE>** is provided through **<Platform/Wrap Product>**. In this case, there are a number of broader corporate actions which have an impact on the **<RSE>**. These may extend beyond voting rights. Examples include:

- notices of meetings;
- dividends or distributions; and
- bonus issues and rights issues.

In accordance with the disclosure made in **<Disclosure Doc/IBR doc>**, if these actions are announced by an investee entity, the **<RSE Licensee>** determines the action to take and if at all



# FSC Guidance Note No. 45

## Appendix – Model Statement for a relevant licensee

practicable, will give members an opportunity to participate in the relevant action or activity. However, the **<RSE Licensee >** is not obliged to do this or take into account the approval or otherwise of members. If **<RSE Licensee >** does permit members to participate in the action, then notification is provided to **<members/advisers>**, of the details and the steps to be taken for participation in the particular action. If no instructions are received as required by the details provided, then the **<RSE Licensee >** will take its default action depending on the nature of the action. In summary, these are as follows:

- a) voting-in accordance with the principles outlined above;
- b) dividends;
- c) bonus and right issues; and
- d) other.

# FSC Guidance Note No. 45

## Appendix – Model Statement for a relevant licensee

### Appendix – Model Statement for a relevant licensee

#### B. Environmental, Social and Governance (ESG) Risk Management Policy

This section sets out the ESG Policy of **<RSE Licensee>** and its application in terms of risk management to **<RSE>** in compliance with the FSC Guidance Note. This Policy involves:

- the active exercise of voting rights by <RSE Licensee> in investee entities to strengthen governance;
- the application of clearly articulated investment-driven strategies, and;
- the exclusion of investments in businesses or activities that are unlawful under any law applying in Australia.

#### Objectives

**<RSE Licensee's>** investment objective is to maximise long-term real returns for members whilst keeping risk to an acceptable level. **<RSE Licensee>** assesses and manages all foreseeable risk factors effectively. ESG factors are viewed as investment related risks.

**<RSE Licensee>** views the ESG profile and performance of assets in which **<RSE>** invests to be directly material to the investment performance of **<RSE>**.

In our view, poor management of ESG issues can lead to financial risks as well as a decline in the long term value of investments. Accordingly, an analysis of relevant ESG exposures and risks forms a part of **<RSE's>** risk management policy and plan.

#### Implementation of ESG Practices

**<RSE Licensee>** implements ESG practices in the following ways:

1. **<RSE Licensee>** interacts with a range of investment managers, advisers and shareholder groups to influence companies and other investee entities to adopt appropriate ESG practices.
2. **<RSE Licensee>** has adopted the voting policy discussed in section \$\$ and actively exercises its voting rights in the manner indicated in that policy. If necessary, **<RSE Licensee>** engages with investee entities directly or collaboratively with other shareholders, on matters that give rise to ESG risks.
3. **<RSE Licensee>** discloses its ESG policy and practices and related risk management activities.

#### Implications for investment approach

**<RSE Licensee> believes that a trustee of a superannuation entity:**

- a) either directly or through its service providers, should take steps to understand the relevant ESG issues in assets and the assets' capabilities, systems and structures to manage ESG issues before they escalate into events that can threaten the value of investments; and
- b) may risk breaching fiduciary and statutory obligations if material ESG concerns that may affect the long-term value of their investments are disregarded. Accordingly, a trustee should pursue any such concerns and ensure that same are dealt with by the trustee or its service providers.

#### **<RSE Licensee's> ESG Principles**

In accordance with FSC Guidance Note No 45, in developing and formulating our ESG policy, we address the questions set out in the table below. A summary of our approach to each of these questions is also contained in the table.

# FSC Guidance Note No. 45

## Appendix – Model Statement for a relevant licensee

Question	Our response in formulating and implanting our ESG policy
1. How will the fund incorporate a consideration of ESG in the investment decisions that it makes?	<p>Address ESG issues in investment policy statements</p> <p>Develop procedures to identify ESG risks or opportunities</p> <p>Undertake ESG due diligence for investments where ESG risks are likely to be material</p> <p>Develop sector or risk limits based on ESG factors</p> <p>Assess the capabilities of internal and external investment managers to incorporate ESG issues</p> <p>Request investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis</p>
2. How will the fund monitor the ESG exposure across its portfolio of investments?	<p>Periodic monitoring of key ESG trends across sectors within portfolio</p> <p>Periodic reporting by investment service providers on:</p> <p>A thematic basis</p> <p>A sectoral basis</p> <p>An asset by asset basis</p>
3. How will the fund act on ESG risks?	<p>Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate)</p> <p>Communicate ESG expectations to investment service providers</p> <p>Engage with companies on ESG issues</p> <p>Participate in collaborative engagement initiatives with other investors</p> <p>Exercise voting rights or monitor compliance with voting policy (if outsourced)</p> <p>Participate in the development of policy, regulation, and standard setting</p> <p>File shareholder resolutions consistent with long-term ESG considerations</p> <p>Ask investment managers to undertake and report on ESG-related engagement</p>
4. How will the fund report to its members on the actions it has taken in relation to ESG issue?	<p>Disclose where a signatory to ESG related initiatives such as the UN Principles of Responsible Investment.</p> <p>Disclose active ownership activities (voting, engagement, and/or policy dialogue)</p> <p>Report on progress to members in relation to the actions taken</p>

# FSC Guidance Note No. 45

## Appendix – Model Statement for a relevant licensee

### Particular Investment Issues and ESG

#### Implementation across different investment structures

<RSE Licensee> invests in a number of different assets and not only in listed equities (where ESG principles most directly and effectively can be applied). The following comments relate to the various investments methods adopted by <RSE Licensee>

#### *External investment managers*

If an external investment managers is appointed by <RSE Licensee> to invest on its behalf the manager

- Must monitor ESG issues that are reasonably seen as material to <RSE's> investments;
- Must provide details of investment management policies and procedures in relation to ESG issues;
- Report as agreed concerning ESG matters such as ESG activities, including research, voting and engagement; how ESG issues are integrated into its investment decision processes and how voting rights referable to the <RSE> have been exercised and reasons for its voting decision.

<RSE Licensee> will monitor the progress of compliance by and attention to ESG principles by a manager.

#### *Passively Managed Vehicles*

If <RSE Licensee> invests in a passively managed vehicles, where ESG-related risks are not considered then a different approach is required. Generally, <RSE Licensee> will request that the manager consider ESG principles if that is relevant to an appropriate review of the investment.

#### **Pooled Superannuation Trusts (PSTs) etc.**

<RSE Licensee> may invest directly in pooled vehicles (such as PSTs or registered schemes). These entities will be controlled by a Trustee or Responsible Entity. In this instance, RSE's ESG Manager and Chief Investment Officer will monitor the RSE's investment in the pooled vehicle for consistency with the ESG policy.



# FSC Guidance Note No. 45

## Appendix – Model Statement for a relevant licensee

### C. BOARD DIVERSITY POLICY

#### Diversity vision

[RSE Licensee] recognises that a Board which has talented and diverse members is a key competitive advantage. Our Board's success is a reflection of the quality and skill of its members.

[RSE Licensee] is committed to seeking out and retaining the best talent for its Board to ensure high performance which will ensure that the Board is acting in the best interests of RSE members.

[RSE Licensee] recognises that each Board member brings their own distinct capabilities, experiences and characteristics to their role. We value such diversity.

Diversity may involve, for example, ethnicity, gender, language, age, sexual orientation, religion, experience, and thinking styles.

[RSE Licensee] believes that a wide array of perspectives that results from diversity promotes innovation and business success. Such diversity makes our Board more creative, flexible, productive and competitive.

#### Board Recruitment

[RSE Licensee] believes that appropriate candidates for the Board should be considered for appointment by reference to the merits of each candidate and in particular the skills having regard to life experiences the candidate will bring to the Board.

[RSE Licensee] has set an objective that by 20XX, at least 40% of our Board positions should be filled by women. Appointments will be merit based.

The ways in which [RSE Licensee] proposes to meet this objective include the following:

Progress in meeting this objective will be reviewed periodically and reported and disclosed to RSE members in accordance with FSC Guidance Note No. 45 *Diversity, Proxy Voting and ESG in Superannuation*.

### REPORT TO MEMBERS – BOARD DIVERSITY

During the financial year ended 20XX, the Board continued to implement its Board Diversity Policy. One of the objectives of that Policy is that by 20XX, at least 40% of [RSE Licensee] Board positions should be filled by women. Nevertheless, appointments must be merit based. The steps taken in achieving this objective and progress in the financial year were as follows-