

FSC Standard No. 13

Voting policy, voting
record and
disclosure

27 May 2020

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FSC Membership this Guidance Note is most relevant to:

This Standard is relevant to Scheme Operators that have the ability to vote in publicly listed companies and ETPs which they are invested in.

This will include investment managers, asset owners and wealth managers including a Life Insurance Provider if applicable (i.e., where that Provider offers a life insurance investment Product covered under the Life Insurance Act 1995).

In the case of an Operator which is subject to superannuation governance requirements, the Operator is directed by Guidance Note 45 to have regard to the provisions of this Standard in relation to the matters addressed in this Standard.

Date of this version:

27 May 2020

History (prior version) of this Guidance Note:

This Standard was originally issued in October 2004 and updated in March 2013 and June 2019. Minor wording amendments made on 27 March 2023.

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Main Purposes of this Standard:

The main purpose of this Standard is to require Scheme Operators to clearly articulate their approach to voting and demonstrate the application of this approach across their respective listed investments.

This requires a Scheme Operator to, in relation to listed investments:

- 1) disclose a Voting Policy;
- 2) be transparent as to the use of voting or proxy consultants; and
- 3) exercise and disclose its voting (on an 'entity and resolution level' basis) in accordance with the policy;

in accordance with the requirements of this Standard.

This Standard is to be read in conjunction with FSC Standard 22.

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1 Title

1.1 This Standard is titled FSC Standard No. 13 'Voting Policy, Voting Record and Disclosure'.

1.2 This Standard may be cited as FSC Standard No 13: Proxy Voting Policy.

2 Effective Date

2.1 This Standard comes into effect on 1 July 2021, subject to the transition period below.

3 Transition Period

3.1 A one-year transition period applies from 1 July 2021 (two years for multi-managers and master trust platforms.) This means that an Operator must:

- revise or formulate and disclose a Voting Policy by 1 July 2022 (or 1 July 2023 for multi-managers and master trusts), and;
- disclose its voting record within three months of the end of that 2022 financial year (2023 for multi-managers and master trusts), and;
- continue to disclose voting records for each subsequent financial year within three months of the end of the financial year.

3.2 For members with a mixture of fund structures the appropriate transition period applies for each fund type.

4 Application

4.1 This Standard applies to investments in publicly listed or quoted Australian and international securities (including ETPs or their ex-Australian equivalents) held in investment schemes where the Operators of that scheme have the ability to exercise voting rights in respect of those investments.

This includes 'manage the manager' or 'fund of fund' (multi-manager funds) where the Scheme Operator has direct voting rights or can reasonably and practically obtain agreement to participate in the governance of underlying investments.

This also includes investment options offered on master trust platforms where the Scheme Operator holds direct and immediate voting rights and governance responsibilities over the underlying investments.

This Standard does not apply:

- Where a Scheme Operator does not hold direct and immediate voting rights because of the interposition of a trust or other structure between the entity and the ultimate investments (e.g. an investment by a Scheme Operator in a pooled unit trust or managed investment scheme).
- To Investor Directed Portfolio Service (IDPS), wrap or broking platforms, private client, managed direct accounts (MDA), and separately managed accounts (SMA) where the power to make decisions in relation to the investments, including voting rights, is not retained by the Scheme Operator.

5 Summary of Standard

5.1 In summary:

- this Standard requires that an Operator formulates and maintains a Voting Policy, publicly available to Scheme Members;
- a Voting Policy must set out the principles under which voting decisions are made, including whether the Scheme Operator engages the services of proxy advisers;
- an Operator must vote in respect of all resolutions for its investments in a manner consistent with its Voting Policy and disclose reasons that instances of non-compliance may occur; and

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- an Operator must maintain and publicly disclose its voting record (including unvoted resolutions and meetings where possible) each year, highlighting differences with its Voting Policy.

5.2 More information and details concerning these requirements are set out in the following sections of this Standard.

6 Statement of Purpose and alignment with FSC Standard 23: Principles of Internal Governance and Asset Stewardship. (Stewardship Code)

6.1 Asset Managers and Responsible Entities play a key role as the stewards of significant amounts of capital on behalf of their clients. In this context Scheme Operators should contribute to improving and upholding the governance of entities and markets in which they invest as required by the Stewardship Code.

6.2 In many jurisdictions, ownership of equity in an enterprise confers a formal right to vote on directors and/or other proposals.

These rights are a fundamental component of the asset held and managed on behalf of clients, and fiduciaries must ensure they are exercised in support of client interests.

6.3 Scheme Operators are in a key position, as they undertake their role as custodians of significant amounts of capital on behalf of their clients, to ensure that responsible management and robust corporate governance practices form the basis of their stakeholder interactions.

Voting is just one way in which stewardship can be exercised within the Scheme Operator's activities. Other ways include various forms of engagement with the board and management of entities in which the interests are held.

For investors, stewardship is more than just voting. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, corporate governance including culture and remuneration, and social and environmental issues.

Accordingly, this Standard should be read in conjunction with the following Standards:

- FSC Standard No. 1 Code of Ethics & Code of Conduct; and
- the Stewardship Code – i.e. FSC Standard No. 23: Principles of Internal Governance and Asset Stewardship.

An Operator's Voting Policy should relate to its broader approach to stewardship. The governance framework supporting proxy voting, which may be articulated in the Voting Policy, must outline the role voting plays within the Scheme Operator's stewardship activities. This may include the role of voting within escalation processes.

6.4 Where there is a conflict between the requirements of this Standard and any relevant legislation or guidance issued by a statutory or regulatory agency, 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 Member can comply with the requirements of this Standard.

7 Definitions

7.1 In this Standard:

- **ASX Listing Rules** means the Listing Rules of ASX Limited, which amongst other things govern the admission of entities to the ASX official list and the quotation of securities and which are enforceable under Sections 793C and 1101B of the Corporations Act.
- **Corporations Act** means the *Corporations Act 2001* (Cth.)
- **ETPs** means
 - Exchange-traded products being the group of products under the ASX Listing Rules comprising exchange-traded funds, managed funds, and structured products;

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- b) Similar products to those described in paragraph (a) listed or quoted on any other domestic financial market that have been licensed to operate in Australia by the relevant Minister in accordance with Chapter 7 of the Corporations Act, such as Chi-X Australia Pty Ltd;
 - c) Similar products to those described in paragraph (a) listed or quoted on any overseas financial market that have been licensed to operate in Australia by the relevant Minister in accordance with Chapter 7 of the Corporations Act, and
 - d) Similar products to those described in paragraph (a) which are listed or quoted and traded on exchanges ex-Australia.
- **IDPS** means an Investor Directed Portfolio Service which is a managed investment scheme for holding and dealing with investments selected by clients and having the characteristics identified by ASIC in RG 148 and relevant Class Orders and other publications (such as CP 176 and CP 194).
 - **IDPS-like** means a registered managed investment scheme which operates in a similar fashion to an IDPS and having the characteristics identified by ASIC in RG 148 and relevant Class Orders and other publications (such as CP 176 and CP 194).
 - **Multi-manager** means a single portfolio comprising of multiple funds ('fund of funds') or multiple fund managers ('manage the manager') rather than individual assets.
 - **Master Trust** means a member discretionary master fund or a superannuation master trust, a registered superannuation fund which operates in a similar fashion to an IDP and having the characteristics identified by ASIC in RG 148 and relevant Class Orders and other publications (such as CP 56 and CP 184).
 - **Proxy Voting** and any of its derivatives means the exercise by the Scheme Operator or its authorised agent or representative of voting rights in respect of Scheme assets.
 - **Voting Policy** means a formal policy adopted by the Board of an Operator in relation to the exercise of voting rights attributable to the holding of relevant investments as Scheme assets by an Operator; which is to be disclosed to Scheme Members in accordance with this Standard.
 - **Voting Record** means the Voting Record referred to in this Standard kept and maintained by an Operator and as a result of the Operator implementing its Voting Policy.

8 Proxy Voting Policy and Governance

8.1 Accountabilities and oversight

Under this Standard, Operators must have and disclose a formal Voting Policy that sets out the principles and guidelines under which rights to vote are exercised and how these rights are exercised.

The Proxy Voting policy may form part of the Scheme Operator's publicly available Corporate Governance policy, i.e. not as a standalone policy.

An Operator which operates more than one Scheme may adopt a single Voting Policy in relation to the exercise of voting rights under all of those Schemes. The Operator must only do so if the Voting Policy is suitable for each of those Schemes.

The Voting Policy must be approved by the Board of the Scheme Operator (or equivalent).

8.2 Coverage

The Voting Policy must cover all listed portfolio investments and ETPs, where a right to vote exists.

If it is impractical for the Voting Policy to apply, for instance for multi-managers and master trusts, clear explanations should be provided as to why the Voting Policy may not apply across all listed investments. However, as a minimum, the Voting Policy must apply across either the majority of holdings or the majority of managers.

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FSC members may expand the coverage further where they are able, for instance with respect to non-listed managed investment schemes in which it holds interests or in respect of unlisted or non-quoted investments.

8.3 Requirements of the Voting Policy

The Voting Policy must:

- a) Set out the role of voting in the context of the Scheme Operator’s stewardship activities, for instance the role of voting in its escalation process or in engagement;
- b) Include a description of the governance arrangements under which the Voting Policy is maintained, including any processes by which decisions to approve voting practices divergent from the stated policy are made;
- c) Disclose who has responsibility for making proxy voting decisions. That is, whether an Operator exercises its voting rights directly, engages the services of a proxy voting adviser (this includes listing the names of third party proxy advisors) or outsources it to the Fund Manager(s) of the scheme;
- d) Clearly state where the Scheme Operator’s approach to voting varies between jurisdictions (e.g. a more active approach might be taken to voting decisions in local markets or for significant holdings);
- e) Set out the circumstances under which the Scheme Operator may choose not to vote (e.g. where there is a conflict of interest, where holdings are particularly small and the costs involved in exercising voting rights may not be in the interests of customers, or in jurisdictions where share blocking prevents a shareholder from trading shares for a certain number of days after a vote, there may be occasions where it deemed to not be in the member’s interest to vote);
- f) Detail any areas where the Scheme Operator is excluded from voting by law; and
- g) Provide an explanation of reasons for mixed votes; and
- h) Include a statement of any principles used to guide voting decisions. These should cross-reference more detailed position statements where relevant. Statements as to how they guide voting decisions should be provided. Consideration should be given to principles on a range of matters relevant to voting including:
 - Voting preferences (e.g. on a case by case basis; in favour of board or management proposals unless the recommendation is inconsistent with these principles).
 - Resolutions or actions imposing differential voting rights, share classes, or “poison pill” or other anti-takeover provisions which seek to deter appropriate takeover offers.
 - Positions the Scheme Operator holds with respect to board composition, remuneration, diversity, climate change and other ESG matters as they relate to voting considerations. This should be cross-referenced to other position statements where they exist.
 - Circumstances under which the Scheme Operator may abstain, including both on the substance of the matter proposed and/or operational reasons.
 - Approach to potentially contentious issues, including, for example:
 - shareholder resolutions
 - instances of voting against management recommendations
 - other issues or resolutions considered to be contentious or divisive in regard to media coverage, industry conventions and relevant laws.

8.4 Policy disclosure

It is a requirement of this Standard that Operators disclose to Scheme Members the relevant Voting Policy of the Scheme.

For Operators captured under this Standard for the first time, disclosure of the Voting Policy must be made on 1 July 2022 (or 1 July 2023 for multi-managers and master trusts), or as close to that date as is reasonably possible in the circumstances of an Operator.

8.5 Delegation of proxy voting decisions and oversight

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Scheme Operators may issue voting instructions where they do not hold the investment interests directly, but through a custodian. In addition, Proxy Voting agencies or other advisors may contract with the Scheme Operator, Investment Manager, custodian or beneficial owner of the interests to advise on voting, issue voting instructions, execute votes and report on voting undertaken.

Scheme Operators may authorise investment managers to exercise the operator's voting rights on its behalf in accordance with the Operator's/managers Voting Policy. In this instance voting and other rights in relation to Scheme investments are retained by the Operator who may reserve the right to override a Manager's ability to exercise such rights.

Details of the arrangements in place must be included in the Voting Policy.

8.6 Use of proxy voting advisors

Where the Scheme Operator engages a proxy voting advisory service, it is a requirement of this Standard that the Voting Policy disclose:

- the role played by the proxy voting advisor (whether advice, final decisions etc.);
- the extent to which the Scheme Operator relies on the advice and recommendations provided by the proxy adviser when deciding how to vote; and
- the name and any other relevant details of the proxy advisors used.

8.7 Voting Policy review

It is a requirement of this Standard that the Operator reviews the Voting Policy on a regular basis.

This review is to consider whether the Voting Policy continues to be fit for the purpose of ensuring that assets held for clients are managed in their best interests, taking into account developments in corporate governance practices.

Following the review, the Voting Policy must again be approved by the Board of the Scheme Operator (or equivalent).

8.8 Monitoring and compliance

In addition to approving the Voting Policy the Board (or equivalent) has responsibility for monitoring compliance with the Voting Policy, including noting/approving exceptions or approving the delegation of this approval to the appropriate internal decision-maker. Any such delegation should be reflected in the Voting Policy.

9 Conduct of Proxy Voting

9.1 Administration of voting

An Operator must ensure that votes are cast in a timely and efficient manner.

Operators should have procedures in place to minimise discrepancies between eligible votes and those cast, including through appropriate due diligence of service providers who may implement these procedures on behalf of the Operator.

This includes due diligence over any mismatch between records kept by an entity's registry services provider and the votes cast by an Operator, or if the share registry currently is being updated.

In addition to the disclosure of voting, Scheme Members should be advised that the scenarios noted above may occur and of the actions in place to minimise.

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9.2 Record keeping

It is a requirement of this Standard that an Operator must maintain its voting record in respect of the Scheme's investment for each financial year on a "per Scheme, per investment and per resolution" basis unless another form is more appropriate.

The Voting Record must include the following details:

- a) the name of the entity (and the Scheme if relevant);
- b) the ASX or equivalent code of the relevant interests or securities, unless these are not readily available to the Operator;
- c) the meeting date;
- d) the resolution number and name or summary of the 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 on how to vote;
- g) whether the Operator voted on the matter or matters and if applicable, how the Operator voted on the matter or matters;
- h) where votes cast by the Operator constitute exceptions to the Operator's Voting Policy, a reason for the inconsistency; and
- i) in the case of a decision not to vote, a record reflecting that and the reason.

9.3 Engagement with other investors

Provided that it is undertaken in a manner that does not breach corporations, takeover or competition laws it is considered appropriate under the Standard for Scheme Operations to engage with other investors when formulating voting decisions.

9.4 Voting on shareholder resolutions

Under the Standard, Scheme Operators may consider the merits of all resolutions put forward, irrespective of the proponents of the resolution.

Where resolutions are raised in multiple parts, Scheme Operators may consider both the individual merits of each part of the resolution and the impact of the resolution as a whole. For instance the requirement to include a constitutional amendment in order to facilitate advisory resolutions in Australia may cause some shareholders to abstain on one part and support the other.

9.5 Filing/co-filing of resolutions

Under this Standard the filing or co-filing of shareholder resolutions may be considered an option available to Scheme Operators, including within any formal escalation processes.

9.6 Use of abstention

Scheme Operators can consider the value of abstaining from a proxy vote as a legitimate means by which to send a deliberate message to the company.

9.7 Notification

Scheme Operators should give consideration as to the value of providing prior notice to the company of its voting intention. This may be relevant where the voting intention differs from the recommendations of the relevant board and management, and should be considered within the broader context of the Scheme Operator's stewardship activities under Standard 23.

10 Disclosure of Proxy Voting

10.1 Form of disclosure

Consistent with FSC Standard 23 the disclosures outlined in this section should be made readily available in one location on the Scheme Operator's public website.

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These must include the Scheme Operator's Voting Policy and Voting Record. Where applicable this should be disclosed in conjunction with the Operator's other stewardship disclosures.

Communication with Scheme Members should be in a consistent and easy to understand format.

10.2 Disclosure of voting

In addition to relevant legislative requirements, it is a requirement of this Standard that Operators publish, at least annually, a summary of its Voting Record for the previous financial year for relevant investments.

It is a requirement of this Standard that an Operator must disclose its Voting Record in the manner and form set out below:

- a) an Operator must prepare and finalise its proxy Voting Record at least annually for each financial year;
- b) an Operator must disclose its final proxy Voting Record on its website no later than three calendar months after the end of the financial year;
- c) at a minimum reporting must be taken on an "entity and resolution" level; and
- d) Disclosure in a searchable and preferably filterable form.

The following does not apply to 'manage the manager' or 'fund of fund' (multi-manager funds):

- e) where voting has been inconsistent with the Principles set out in the Operator's Voting Policy a reason for the inconsistency must also be provided.

All Operators may provide further or more detailed information than that prescribed by this Standard. For example:

- an Operator may disclose its voting record in relation to non-listed managed investment schemes in which it holds interests or in respect of unlisted investments; and/or
- in addition to making all of the information available on its website an Operator may provide summary details of its Voting Policy in the annual report to members.

10.3 Organisation level vs scheme level disclosures

Consideration should also be given as to whether Voting Records should be disclosed for each Scheme operated. For instance where a Voting Policy covers multiple Schemes, organisational level disclosure may be appropriate.

Irrespective of whether reporting is undertaken on an organisation or scheme level the relevant Schemes must be identified within the disclosure.

Where an Operator reports on an organisational basis, the rationale for doing so should be disclosed to Scheme Members. Scheme members can request a voting record for their specific scheme which should be provided within 10 business days.

10.4 Investor contact

It is a requirement of this Standard that Scheme Operators provide contact details via which companies, Scheme Members and/or other stakeholders can make enquiries of the Scheme Operator with respect to its Voting Policy/Voting Record.