

Super Votes

How Australia's
Largest Superannuation Funds
Voted on ESG Resolutions in 2020

Australasian Centre for Corporate Responsibility

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 **ACCR**



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ABOUT ACCR

The Australasian Centre for Corporate Responsibility (ACCR) is a research and shareholder advocacy organisation. We publish research and analysis on the environmental, social and governance practices of corporate Australia. We have a small portfolio of shares that we hold for the purpose of engaging with companies, including through the filing of shareholder resolutions. ACCR is philanthropically funded, not-for-profit, and independent.

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Dedication

It was with deep sadness that ACCR learned, in April this year, of the death of climate activist Leif Justham. At 21 years of age, Leif was a talented, dedicated and effective advocate. He was particularly passionate about showing people the power of making smart choices about their superannuation fund, in the interest of a safe climate. Tragically, he was killed on 6 April 2021 in a road accident while cycling across the Nullarbor to raise awareness of the links between climate change and investment.

Leif's death is a devastating loss to both the climate movement and the ethical investment community. We have been extremely humbled by the support for ACCR from Leif's family and community, and wish to dedicate this report to Leif's memory.

— the ACCR team



A MESSAGE FROM LEIF'S FAMILY

As a family we are greatly honoured that ACCR is dedicating this report to Leif, and although our hearts ache with sorrow, we are also filled with hope that his story will continue to inspire others into the future.

To share a little of Leif's story...

Leif was born and grew up in the Adelaide Hills and loved being outdoors. He cared deeply about climate change and habitat degradation. Leif spent time learning about the issues we face as a planet and constantly sought ways to reach and motivate others.

In March this year Leif rode out of Adelaide on a solo cycling journey around this vast continent. He was on a mission to raise awareness of simple but less well-known ways to help reduce carbon emissions and promote divestment from fossil fuels, such as avoiding unleaded 91 petrol and changing banks. By connecting with the people he met along the way, Leif hoped to educate others about the fossil fuel investments of banks and super funds, and inspire them to use their super money for positive climate action.

In two weeks, Leif had ridden almost 2000 kilometres and was loving every minute of it. However, his journey was tragically ended on the morning of April 6 when he was hit and killed by a truck on the Nullarbor plain.

At only 21 Leif inspired many and left a huge legacy. As a family it is our mission to share his message far and wide, and honour that legacy. Tree planting projects, cycling initiatives and tributes like this are wonderful ways we can continue his work to educate and motivate others. Leif believed we each have the power to change the world for the better and we thank ACCR for acknowledging his story in this way and commend its work for our shared environment and planet.

<http://www.leifjustham.com/>

Executive Summary

This is the third report by the Australasian Centre for Corporate Responsibility (ACCR) on the voting behaviour of Australia's 50 largest superannuation funds — it follows our *Vote Like You Mean It*¹ report in 2019 and our *Two Steps Forward, One Step Back*² report in 2020. Through these reports, ACCR has analysed shareholder proposals relating to environmental, social and governance (ESG) issues filed at 307 companies since 2017.

ACCR advocates for investment managers and asset owners to use every tool in their toolkits to achieve the best outcomes when engaging with companies on ESG matters — including voting on shareholder resolutions.

Since our first report in 2019, we have seen growing acceptance of the role of shareholder resolutions as a key element of active stewardship. In advice released by PRI in March 2021, proxy voting was identified as an important lever that allowed funds to provide clear and transparent feedback to a company, and as such, a tool that should be used alongside ordinary engagement. Also in 2021, BlackRock emphasised a new "sense of urgency" and made a public commitment to vote in favour of climate and social resolutions more often.³

Of course, this does not suggest that voting in favour of every shareholder proposal necessarily represents sensible or progressive voting behaviour. Rather, funds should consider proxy voting as an

integral part of company engagement, one which should be governed by clearly defined principles and policies. Funds must also adequately disclose their voting records, to allow their members to monitor their stewardship performance. These disclosures would also be of benefit to a broader range of stakeholders, with ASIC arguing that they would support the "gatekeepers" of the \$3 trillion superannuation industry — the advisors, the analysts and the media — to better monitor fund performance.⁴

The ability for fund members and other stakeholders to monitor voting performance is hampered by the lack of a legal requirement for funds to publicly disclose their voting records. Although most funds choose to disclose their voting records, they do so on their own timelines, in different formats and with varied levels of detail.

The aim of this report is to highlight the disclosure and voting practices of the 50 largest super funds in Australia, emphasising the importance of:

- good disclosure as a measure of accountability to members;
- consistent voting as a measure of proper governance, and a fund's diligence with respect to proxy voting; and

- the consonance between how a fund positions itself in theory (for example, as an investor which is sensitive to issues such as sustainability) and how it votes in practice.

Our recommendations promote the importance of proxy voting and disclosure, and aim to improve consistency in reporting across the industry.

As ESG resolutions increase in number, prominence and impact, ACCR's extensive archive of super fund proxy voting records, dating back to 2017, continues to be a critical source for journalists, academics and investors wanting to understand corporate governance issues and trends in Australia and abroad.

In the interests of transparency, ACCR has published the complete dataset underlying the report on our website: www.accr.org.au/research.

¹ ACCR, "Vote Like You Mean It", May 2019, <https://www.accr.org.au/downloads/ACCR-Vote-Like-You-Mean-It-2019-FINAL.pdf>.

² ACCR, "Two Steps Forward, One Step Back: How Australia's largest super funds voted on shareholder proposals 2017-2019", June 2020, https://www.accr.org.au/research/two_steps_forward/

³ Mooney, A. "BlackRock vows to back more shareholder votes on climate change," Financial Times, 10 Dec 2020, <https://www.ft.com/content/d47a23bb-5c50-4aa6-adde-de0113395827>

⁴ Australian Securities and Investments Commission, "Regulatory Guide 252 Keeping Superannuation Websites up to Date", June 2014, p. 17.

Key Findings

ON OVERALL VOTING TRENDS

- Aggregate support for proposals fell slightly between 2019 and 2020 from 43% to 42%. This is a significant fall from 54% shareholder support for proposals in 2018.
- Nine funds supported a majority of proposals between 2017 and 2020: Local Government Super (76%), Vision Super (69%) HESTA (65%), Cbus (63%), Macquarie (62%), NGS Super (58%), Mercer (54%), AustralianSuper (51%) and Qantas Super (50%).
- Eight funds supported more than 50% of proposals in 2020: NGS Super (86%), Vision Super (79%), Cbus (71%), Local Government Super (64%), HESTA (63%), Energy Super (59%), AustralianSuper (57%), Care Super (54%).
- 44% of funds supported a significantly higher proportion of proposals at US companies than at Australian companies between 2017 and 2020.

ON DISCLOSURE

- 22 out of 50 funds published complete voting records in 2020: 59% were industry funds, 18% were public sector funds, 14% were retail funds and 9% were corporate funds.

This is a significant improvement in disclosure since 2017, when just 12

funds published complete voting records.

- Of the 22 funds, nine have consistently published complete voting records since 2017, the year from which ACCR began tracking disclosures.
- In 2020, eight funds did not disclose a proxy record, down from 11 in 2019.

ON VOTING BY INDUSTRY ASSOCIATION MEMBERS

- Members of the Australian Council of Superannuation Investors (ACSI), the Investor Group on Climate Change (IGCC), the UN Principles for Responsible Investment (PRI) and/or the Responsible Investment Association of Australasia (RIAA) were more supportive of proposals between 2017 and 2020 than funds which are non-members of ACSI, IGCC, PRI and/or RIAA.
- Signatories to the Australian Asset Owners Stewardship Code (AAOSC) were also more supportive of proposals in 2020 than funds which are not signatories of the Code.

ON THEMATIC VOTING

- Seven funds consistently supported more than 50% of climate-related proposals between 2017 and 2020.
- 16 funds supported more than 50% of lobbying-related proposals between 2017 and 2020.
- Six funds supported more than 50% of social-related proposals in the years examined. 2018 and 2019 had the highest levels of support with support either plateauing or decreasing across the funds in 2020.
- Lobbying-related proposals are still the most supported resolutions in 2020 with 31% support. This is closely followed by climate-related proposals with 27% and social-related proposals with 18% support.

Recommendations

1. All funds should disclose their entire proxy voting record, for every proposal, at every company meeting, across all jurisdictions.
2. Funds that delegate voting to asset managers should disclose the proxy voting record of those managers.
3. Voting disclosures should be easily accessible on fund websites. Best practice disclosure is made through an online portal (typically facilitated by proxy advisers), which can also enable timely disclosure.
4. Voting should be disclosed within a week of the company meeting. Best practice disclosure occurs, where practicable, ahead of company meetings.
5. Where funds describe themselves as “active owners,” they should publish information about their active ownership strategies. In addition to the complete and timely disclosure practices recommended above, funds could demonstrate active ownership by describing the expectations they have of companies or sectors during private engagement, publishing analysis of their own proxy voting record, and publishing voting bulletins or rationales explaining voting decisions on votes of public interest.
6. Funds should publish their responsible investment and proxy voting policies and ensure their voting is consistent with those policies.
7. As part of their voting records, funds should publish a brief rationale about their reasons for abstaining from a vote or voting against management.
8. Funds should vote consistently across jurisdictions.
9. Funds should consider the interests of their members when voting for shareholder proposals, particularly when voting at companies that employ their own members.
10. Funds should consider filing or co-filing proposals when other forms of engagement are unsuccessful in delivering change.
11. Funds should publish a summary of their voting record.
12. Funds should interrogate the integrity and quality of the research and arguments presented in shareholder resolutions, along with the credibility of the filers and co-filers.

SECTION ONE:

Proxy Voting in 2020

WHAT IS PROXY VOTING?

Shareholders in listed companies are entitled to vote on resolutions (or “proposals”) put to company meetings. Usually, such proposals are considered at a company’s annual general meeting, but votes may also occur at extraordinary general meetings and proxy contests.

Most proposals put to a vote at company meetings relate to the general business of the company and are proposed by management. These include (but are not limited to) the election of company directors, remuneration reports, and amendments to the company’s constitution (such as provisions pertaining to takeovers, the issuance of shares and company name changes).

Proposals put forward by shareholders, on the other hand, often address environmental, social or governance (ESG) issues, beyond the scope of ‘general business’. These proposals frequently include requests for further information about the conduct of the company. Occasionally they request a specific policy for the company to adopt.

While in many jurisdictions (including Australia) shareholder proposals are not binding, they can provide a useful ‘poll’ of shareholders’ opinions on a specific issue. For that reason, they are an important way to communicate concerns to company management, particularly where existing engagement is proving ineffective.

Investors of companies may vote ‘for’, ‘against’, or ‘abstain’ from a vote. The voting decisions of institutional investors, such as super funds, are often informed by advice from proxy advisers – independent firms that engage with companies and provide advice on how to vote on proposals.

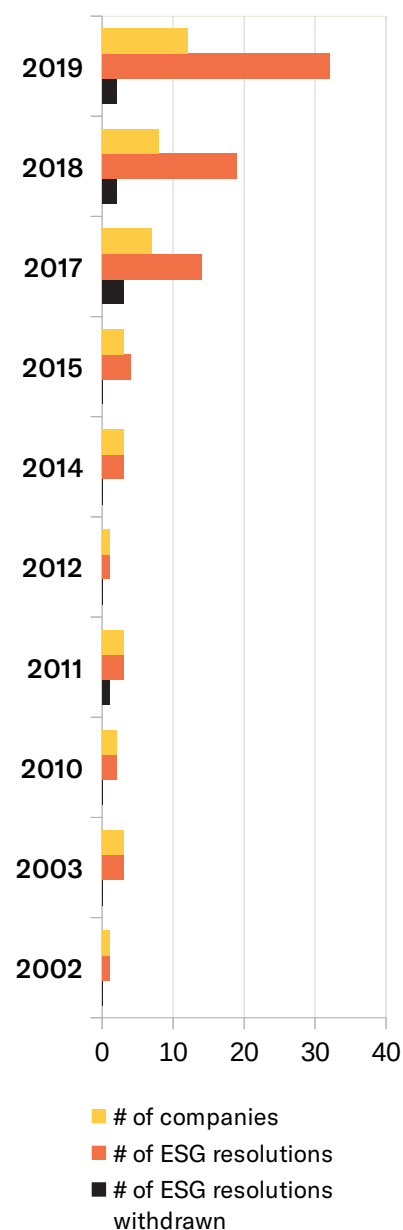
INVESTOR ATTENTION ON ESG

Scholars of shareholder advocacy in Australia have observed that ‘ESG’ resolutions – those relating to environmental, social or governance issues – have “increased in terms of number, prominence and impact” in recent years.⁵ One study found that, of the 82 ESG shareholder resolutions filed between 2002 and 2019, 79% have been filed since 2017 (Figure 1).⁶

As proxy adviser Glass Lewis has observed, ‘Australia has quickly become one of the fastest growing markets for shareholder resolutions,’⁷ and shareholder proposals in Australia are garnering higher levels of support year-on-year. The number of shareholder proposals being put to Australian listed companies has increased each year since 2017, and record votes are being recorded.

This trend – ESG proposals increasing in number, prominence and impact – accelerated in 2020, not just in Australia but in multiple jurisdictions.

FIGURE 1. ESG RESOLUTIONS AT AUSTRALIAN-LISTED COMPANIES, 2002–2019



Source: Freeburn & Ramsay (2021).⁵

⁵ Freeburn, L. & Ramsay, I. (2021). An Analysis of ESG Shareholder Resolutions in Australia, *University of New South Wales Law Journal*, Vol. 44, No. 3, 2021, forthcoming. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3859264

⁶ Ibid.

⁷ Glass Lewis, “2020 Proxy Season Review”, Sept 2020, p. 26,

<https://www.glasslewis.com/wp-content/uploads/2020/09/2020-Proxy-Season-Review-Shareholder-Proposals.pdf>

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At company AGMs in Australia, Canada, the United Kingdom, the United States (US) and Norway in 2020, 273 shareholder resolutions on ESG matters were put to companies by a variety of actors, including pension funds, asset managers, research and advocacy organisations, religious organisations, unions and individual shareholders. Topics included climate-related risks to infrastructure, lobbying and the arbitration of employment-related claims. Unsurprisingly, given the pandemic, many shareholder resolutions in 2020 addressed the importance of board accountability and risk oversight.⁸

Major investors have increased their attention on ESG matters, given the economic and social turmoil of last year and the lessons it taught about materiality. In January 2020, BlackRock's Larry Fink wrote to clients to announce that it would be assessing ESG "with the same rigor that it analyzes traditional measures such as credit and liquidity risk".⁹ One year later, BlackRock emphasised a new "sense of urgency" and made a public commitment to vote in favour of climate and social resolutions more often.¹⁰

For Glass Lewis, one of two major proxy advisers globally, "issues of human capital management [took] on new meaning".¹¹ During the COVID-19 pandemic, and in the context of alarmingly high unemployment, Glass Lewis said it started to prioritise the

issue of safe working conditions for workers during company engagement.¹² In August 2020, ISS Governance – the other major proxy adviser – described the pandemic as "a tenacious stress test for companies' stated labour-related policies, and an unfortunate accelerant to pre-existing trends towards precarious work".¹³

The Australian Council of Superannuation Investors (ACSI), representing asset owners managing more than \$2.2 trillion in assets, noted that the "importance of managing ESG issues... only sharpened last year."¹⁴ ESG adviser Regnan commented that the "events of 2020 have brought to the fore important questions regarding the role of corporate engagement," including the importance of probing "invisible" company assets that "can receive too little attention when things are going well".¹⁵

ACTIVE OWNERSHIP

It is well documented that ESG issues can affect the performance of investment portfolios. Institutional investors have a fiduciary duty to act in the best long-term interests of their beneficiaries. In the same vein, superannuation funds are stewards of the businesses that they invest in and as such, their investment practices should align with the interests of their

membership. Funds can protect and create value by engaging with and encouraging companies to manage ESG risks in order to generate sustainable returns for their members over the long term. With the enormous hardships associated with the Australian bushfires, COVID-19, and loss of cultural heritage sites, ESG issues are now at the forefront of investment discussion. This has moved the conversation beyond the application and integration of ESG principles in value creation and into implementing strategies, such as active ownership principles, in order to drive real world change.

Active ownership refers to the "use of rights and position of ownership to influence the activities or behaviour of investee companies" through engagement and proxy voting.¹⁶ The level of engagement depends on resources or access to conduct other types of stewardship; however proxy voting represents a persuasive, robust and easily accessible instrument in the stewardship toolkit and "helps to communicate shareholders' views to companies, build engagement and facilitate two-way accountability".¹⁷ Shareholder proposals often address issues of broad public concern, such as climate change, workers' rights, human rights, and corporate political influence. These issues are relevant to super funds' members and the society they live in and will retire into.

⁸ Morrow Sodali, "2020 AGM Season Review, Australia," 25 Mar 2021, <https://morrow sodali.com/insights/2020-agm-season-review-australia>

⁹ BlackRock, "Sustainability as BlackRock's New Standard for Investing," Larry Fink, [https://www.blackrock.com/uk/individual/blackrock-client-letter; Henderson, R., Nauman, B. & Edgecliffe-Johnson, A. "BlackRock shakes up business to focus on sustainable investing," Financial Times, 14 Jan 2020, https://www.ft.com/content/57db9dc2-3690-11ea-a6d3-9a26f8c3cba4](https://www.blackrock.com/uk/individual/blackrock-client-letter; Henderson, R., Nauman, B. & Edgecliffe-Johnson, A.)

¹⁰ Mooney, A. "BlackRock vows to back more shareholder votes on climate change," *Financial Times*, 10 Dec 2020, <https://www.ft.com/content/d47a23bb-5c50-4aa6-adde-de0113395827>

¹¹ Glass Lewis, Sept 2020, p. ii.

¹² Ibid.

¹³ Präauer, G. & Toste, T. "Worker's Rights and COVID-19: Testing the resolve of corporate labor policies," *ISS Insights*, 12 Aug 2020, <https://insights.issgovernance.com/posts/workers-rights-and-covid-19-testing-the-resolve-of-corporate-labor-policies/>

¹⁴ ACSI, "2020 Annual Report", Nov 2020, p. 6, <https://acsi.org.au/wp-content/uploads/2020/11/ACSI-Annual-Report.Nov20.pdf>

¹⁵ Pandal Group, "Engagement Impact Report, FY20", August 2020, p. 3, <https://www.pandalgroup.com/wp-content/uploads/2020/08/Regnan-Annual-Engagement-Impact-Report-FY2020.pdf>

¹⁶ The Principles for Responsible Investment, 'Introduction to Active Ownership in Listed Equity,' 27 Feb 2018, <https://www.unpri.org/listed-equity/introduction-to-active-ownership-in-listed-equity/-/2719.article>

¹⁷ The Principles for Responsible Investment, 'Making voting count: principle-based voting on shareholder resolutions,' 9 Mar 2021, https://www.unpri.org/stewardship/making-voting-count-principle-based-voting-on-shareholder-resolutions/7311.article#fn_1

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Where funds describe themselves as “active owners,” ACCR believes they should publish information about their active ownership strategies. In addition to the complete and timely disclosure practices recommended above, funds could demonstrate active ownership by describing the expectations they have of companies or sectors during private engagement, publishing analysis of their own proxy voting record, and publishing voting bulletins or rationales explaining voting decisions on votes of public interest.

PROXY VOTING DISCLOSURE IN AUSTRALIA

Unlike in the US, where proxy voting disclosure by mutual funds has been mandatory since 2004, Australian super funds are not required to disclose their voting behaviours. As a result, the voting records of Australian super funds are highly individualised.

For example, while Australian APRA-regulated super funds are required to disclose a proxy voting policy and a summary of their proxy voting behaviour on their website,¹⁸ self-managed super funds (SMSFs) and exempt public-sector superannuation schemes are not required to make such disclosures.

Regulation 2.38 of the Superannuation Industry (Supervision) Act 1994 requires disclosure of proxy voting policies at 2(n) and a summary voting record at 2(o). 2(o) requires disclosure of “a

summary of when, during the previous financial year, and how the entity has exercised its voting rights in relation to shares in listed companies”.

Despite proxy voting disclosures not being mandatory, in July 2017, the Australian Securities and Investments Commission (ASIC) intervened in relation to 21 superannuation trustees, to improve “Transparency Information” on their websites.¹⁹ According to ASIC, transparency information should include “a summary of how the trustee voted in the last financial year in relation to listed shares held by the fund”. ASIC’s regulatory guide 252 specifies that such information must be published within 20 business days of the fund’s financial year-end.²⁰

Unfortunately, even when trustees provide a summary of how they have voted (in line with their obligations), they are not required to provide detailed information on how they voted on each proposal at each company throughout the financial or calendar year. As a result, many only disclose aggregated voting behaviour, for instance by disclosing the number of times the fund voted against management.

Some investor industry associations provide guidance to members on the disclosure of proxy voting records. These associations are discussed below.

The Australian Council of Superannuation Investors (ACSI) is a group of 42 asset owners which, together, manage over \$2.2 trillion in assets.²¹ ACSI encourages members to focus on factors that may impact investment value over the long term, such as ESG risks and opportunities,²² but does not require its members to disclose their proxy voting records. In May 2018, ACSI published the Australian Asset Owner Stewardship Code (AAOSC),²³ which now has 19 super funds as signatories. The Code aims to “increase transparency and accountability of stewardship activities in Australia” with guidance from six core principles. Notably, principle two of the Code states that “asset owners should publicly disclose their policy for voting at company meetings and voting activity”. The guidance provides examples of appropriate voting disclosures, but does not specify that each proposal at each company is disclosed. In practice, it appears to apply only to Australian shareholdings. For the first time, this report examines the voting behaviour of AAOSC signatories.

The Financial Services Council (FSC) is a peak body that sets standards and policies for over 100 institutions in the financial services sector.²⁴ Many retail super funds are members, and as a condition of membership, they must comply with its standards. FSC Standard 13 “Voting Policy, Voting Record and Disclosure”²⁵ requires members who operate investment schemes to have and make available to members a voting policy and to publish an annual voting

¹⁸ Australian Government, “Superannuation Industry (Supervision) Regulations 1994”, <http://www.legislation.gov.au/Details/F2019C00094>

¹⁹ Australian Securities and Investments Commission, “17-222MR ASIC Acts to Improve Transparency of Super Websites”, Media Release, <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2017-releases/17-222mr-asic-acts-to-improve-transparency-of-super-websites/>

²⁰ Australian Securities and Investments Commission, “Regulatory Guide 252 Keeping Superannuation Websites up to Date”, June 2014, p. 17.

²¹ Australian Council of Superannuation Investors, “What We Do”, <https://acsi.org.au/about/what-we-do/>

²² Ibid.

²³ Australian Council of Superannuation Investors, “Australian Asset Owner Stewardship Code”, <https://acsi.org.au/members/australian-asset-owner-stewardshipcode>

²⁴ Financial Services Council, “About”, <https://www.fsc.org.au/about>

²⁵ Financial Services Council, “FSC Standard No.13: Voting Policy, Voting Record and Disclosure”, <https://www.fsc.org.au/web-page-resources/fsc-standards/1518-13s-voting-policy-voting-record-and-disclosure-13>

record relating to listed Australian investments, within 3 months after the end of the relevant financial year.²⁶ Paragraph 9.7 of Standard 13 outlines the information which must be included in members' voting records, including the company name, a description of the proposal and how the member voted.²⁷

The **Investor Group on Climate Change (IGCC)** is a group of 87 institutional investors and other parties concerned about the impact of climate change on their investments.²⁸ IGCC members sign a Statement of Commitment, requiring them to demonstrate "progress incorporating the risks and opportunities associated with climate change into investment decisions... and into business operations".²⁹ IGCC does not appear to require its members to disclose their proxy voting records.

The **Principles for Responsible Investment (PRI)** is a global initiative that supports its members — asset owners, investment managers, and some organisations which service asset owners and investment managers — to incorporate ESG factors into their investment and ownership decisions.³⁰ Principle 2 of PRI requires members to be "active owners," including through "engagement with companies and exercise of voting rights".³¹

The **Responsible Investment Association Australasia (RIAA)** is a group of 350 institutional investors and other financial services actors (including ACCR) responsible for managing more than \$9 trillion in assets.³² RIAA's stated mission is to promote, advocate for, and support approaches to responsible investment. In order to attain RIAA certification, super funds must implement "systematic corporate engagement activities and proxy voting".³³

RESOLUTION TRENDS IN 2020

2020 was a year of critical worldwide events. The COVID-19 pandemic introduced profound, ongoing impacts to economies worldwide. More locally, devastating bushfires put climate change at the forefront of Australians' minds. These events have had a significant impact on corporate Australia and their effects have been reflected in the 2020 AGM season, with more resolutions receiving majority support than ever before.³⁴

Shareholder resolutions relating to climate change also received record support, particularly in Australia where eight of the top ten shareholder proposals³⁵ were in relation to climate-related risk and transition planning. Over the five jurisdictions examined in this report, four of the top ten resolutions were environmental proposals, with a resolution put to iA Financial Corporation regarding their risk related to climate change receiving the highest level of support for that theme, with 73.6% shareholder support.

2020 also saw key governance issues highlighted in regard to board accountability, board diversity, remuneration and cultural heritage. In May 2020, Rio Tinto personnel near the Brockman iron ore mine in the Pilbara region in Western Australia dynamited the 46,000 year old Juukan Gorge caves. The caves were sacred places for the Puuti Kunti Kurrama and Pinikura peoples of the area and held evidence of the oldest site of human occupation in Australia, and possibly the world. This devastating incident highlighted the inadequacy of cultural heritage laws around Australia at both Commonwealth and state/territory level. This led to shareholder revolt at Rio Tinto as the multinational miner's UK and Australian remuneration reports were each rejected by more than 60% of shareholders.³⁶

²⁶ Financial Services Council.

²⁷ Financial Services Council.

²⁸ Investor Group on Climate Change, "Who Are We?," <https://igcc.org.au/who-are-we/>.

²⁹ Investor Group on Climate Change, "Membership", <https://igcc.org.au/joining-igcc/>.

³⁰ Principles for Responsible Investment, "About the PRI", 2020, <https://www.unpri.org/pri/about-the-pri>.

³¹ Principles for Responsible Investment, "A practical guide to active ownership in listed equity", 13 Feb 2018, <https://www.unpri.org/listed-equity/a-practical-guide-to-active-ownership-in-listed-equity/2717.article>.

³² Responsible Investment Association Australasia, "About Us", <https://responsibleinvestment.org/about-us/>.

³³ "Responsible Investment Association Australasia, "Responsible Investment Certification Program – Program Requirements by Category Guide V2.1", August 2018, <https://responsibleinvestment.org/wp-content/uploads/2018/08/2-Program-Requirements-by-Category-Guide.pdf>.

³⁴ The Principles for Responsible Investment, "Making Voting Count: principle-based voting on shareholder resolutions," 9 March 2021, https://www.unpri.org/stewardship/making-voting-count-principle-based-voting-on-shareholder-resolutions/7311.article#fn_1

³⁵ By aggregate level of shareholder support.

³⁶ Glass Lewis, 'Shareholder revolt at Rio Tinto highlights deepening relationship between ESG and pay.' 11 May 2021, <https://www.glasslewis.com/shareholder-revolt-at-rio-tinto-highlights-deepening-relationship-between-esg-and-pay/>

SHAREHOLDER RIGHTS

Due to the COVID-19 crisis and subsequent government restrictions on indoor gatherings, company AGMs were conducted remotely during the 2020 year. While this adjustment was clearly necessary, the manner in which many companies chose to conduct these virtual AGMs limited shareholder engagement and advocacy. Some US companies postponed AGMs altogether,³⁷ while others frustrated the process of shareholder attendance and participation.

During virtual AGMs, shareholders contended with truncated meetings,³⁸ unstable technology, reduced opportunities to interact with company boards (including by having their questions ignored)³⁹ and voting results not being published during meetings.⁴⁰ Many companies also did not publish recordings or transcripts of AGMs. In Australia, proxy holders were not able to access a virtual meeting without the confidential shareholder identification number of the shareholder, something which has historically not been required.⁴¹

Analysis of virtual AGMs in the US found that, on average, meetings had been shortened by 18%, business updates were 40% briefer, and 14% less time was spent answering questions.⁴²

In October 2020, the Australian federal government made an attempt to allow these interim meeting practices to continue, via the Corporations Amendment (Virtual Meetings and Electronic Communications) Bill 2020. The move was met with instant, forceful resistance. Stakeholders including ACCR,⁴³ the Australian Shareholders Association (ASA) and ACSI⁴⁴ outlined the strong case for retaining in-person meetings in the interests of corporate democracy. The Australian government continues to consult with stakeholders about making the temporary, COVID-era changes – to meetings and the execution of company documents – permanent.⁴⁵

³⁷ The Principles for Responsible Investment, 'Making voting count: principle-based voting on shareholder resolutions,' 9 Mar 2021, https://www.unpri.org/stewardship/making-voting-count-principle-based-voting-on-shareholder-resolutions/7311.article#fn_1

³⁸ Gluyas, R. "Investor groups pushing back on virtual AGM proposal," *The Australian: Business Review*, 26 Oct 2020, <https://www.theaustralian.com.au/business/leadership/investor-groups-pushing-back-on-virtual-agm-proposal/news-story/dcf57c041a2e9b8941bf7c78bed9cf6>

³⁹ Thomson, J. "Geoff Wilson to lead investor army against virtual AGMs," *Australian Financial Review*, 26 Oct 2020, <https://www.afr.com/markets/equity-markets/geoff-wilson-to-lead-investor-army-against-virtual-agms-20201026-p568iu>

⁴⁰ See pp. 4-6 for a full list and a summary of ACCR's experience; ACCR, "Submission to the Making permanent reforms in respect of virtual meetings and electronic document execution," 30 Oct 2020, <https://treasury.gov.au/sites/default/files/2021-03/c2020-119106-accr.pdf>

⁴¹ ACCR, Submission to the Making permanent reforms in respect of virtual meetings and electronic document execution, 30 Oct 2020.

⁴² Schwartz-Ziv, M. 2021. How Shifting from In-Person to Virtual-Only Shareholder Meetings Affects Shareholders' Voice. *European Corporate Governance Institute – Finance Working Paper* No. 748/2021, <https://ssrn.com/abstract=3674998> or <http://dx.doi.org/10.2139/ssrn.3674998>

⁴³ ACCR, Submission to the Making permanent reforms in respect of virtual meetings and electronic document execution, 30 Oct 2020.

⁴⁴ ACSI, Submission to Treasury re Corporations Amendment (Virtual meetings and electronic communications) Bill 2020, 30 Oct 2020, <https://acsi.org.au/wp-content/uploads/2021/02/ACSI-submission-virtual-AGMs-301020.pdf>

⁴⁵ The Treasury, Australian Government. "Using technology to hold meetings and sign and send documents," <https://treasury.gov.au/consultation/c2021-177098>

SECTION TWO:

Methodology

This report examines the publicly available proxy voting records of Australia's 50 largest super funds on 959 shareholder proposals relating to environmental, social and governance issues, put to companies between 2017 and 2020 across five jurisdictions (Australia, Canada, Norway, the UK and the US).

All known shareholder proposals relating to ESG issues in these jurisdictions in calendar years 2017–2020 were included in the study. Data for the calendar year 2020 was collected during March and May 2021, and 273 resolutions were identified for analysis. The remaining 686 resolutions were collected and analysed for previous ACCR reports using the same methodology.⁴⁶

Certain types of shareholder proposals on governance issues were excluded from the study sample, including proposals relating to the appointment of an independent chairperson and proposals related to proxy access (specifically in the US). However, shareholder proposals on governance issues relating to corporate lobbying, proposals seeking to link remuneration with ESG criteria, and proposals related to board diversity were all included. Shareholder proposals considered at extraordinary general meetings/proxy contests were also excluded.

The 50 largest funds by assets under management (AUM) as reported by APRA⁴⁷ were included in the analysis.

Funds were categorised by type: Industry, Retail, Corporate or Public Sector.

Proxy voting records were collected from each fund's website, and a database was created to analyse the voting behaviours of each fund. As well as reporting on these voting behaviours at an individual fund level, data was further aggregated and analysed by AUM, fund type and industry association membership, and "completeness".

Records were deemed incomplete if they:

- did not include votes at the AGMs of numerous large public companies which were included in the fund's disclosed shareholdings for the relevant period;
- did not include the votes of all managers (where the fund discloses by asset manager);
- only contained a summary of the fund's voting record; or,
- were not published.

While several funds maintain many years' worth of proxy voting records on their websites, others remove older records after a certain period of time. For this reason, several funds that ordinarily disclose complete voting records on an annual basis no longer publish their 2017 proxy voting record.⁴⁸ However, these funds' voting

records on climate-related shareholder proposals in 2017 were collected as part of ACCR's 2019 report, *Vote Like You Mean It*.⁴⁹ While this is a smaller sample size (58 proposals), it does provide a fair representation of those funds' voting records.

Notably, many retail funds – including AMP, ANZ Staff Super, Macquarie, and Media Super – disclose their proxy voting records by fund or asset manager, rather than as an aggregated voting record for the entire super fund. This makes it difficult to determine whether the voting record is in fact complete.

Votes were then recorded as either 'For' (F), 'Against' (A), 'Abstain' (B), or 'Split' (where there were multiple voting resolutions for the same resolution, and these records differed). If the company did not disclose how it voted on a particular resolution, this was recorded as 'Non-Disclosure' (ND). If a fund did not hold the relevant shares at the time of a vote, this was marked as '-'.⁴⁹

ACCR sent individual fund voting records to each fund for verification.

⁴⁶ ACCR, June 2020.

⁴⁷ Australian Prudential Regulation Authority, 30 June 2020.

⁴⁸ These funds include BT Financial Group, REST, Sunsuper, Mine Super, Mercer, Equisuper, Energy Super, CommBank Group Super, Legal Super and TWU Super.

⁴⁹ ACCR, May 2019.

SECTION THREE:

Descriptive Statistics

3.1 FUND CHARACTERISTICS

The 50 largest super funds by assets under management (AUM), as reported by APRA,⁵⁰ were included in the analysis.

The 50 largest super funds included in this report control \$1,870 billion, or 65% of all superannuation assets, as at June 2020. This makes up 96.9% of AUM at APRA-regulated funds – in other words, the vast majority of the superannuation sector.⁵¹ The largest seven funds collectively manage nearly half of APRA-regulated assets.

Despite significant declines in funds' assets under management (AUM) throughout the COVID-19 crisis, APRA only publishes fund-level data on an annual basis, as at 30 June. For this reason, all fund-level AUM data in this report refers to figures from 30 June 2020. As at 31 December 2020, 52.7% of APRA-regulated funds were invested in equities, with 26.1% in international listed equities, 22.6% in Australian listed equities and 4.1% in unlisted equities.⁵² 30.5% of funds were invested in bonds and short-term "cash" instruments, 13.8% of funds were invested in property and infrastructure, and 2.9% were invested in other assets (Table 1 and Figure 2).

⁵⁰ Australian Prudential Regulation Authority, 30 June 2020.

⁵¹ Australian Prudential Regulation Authority, 2020.

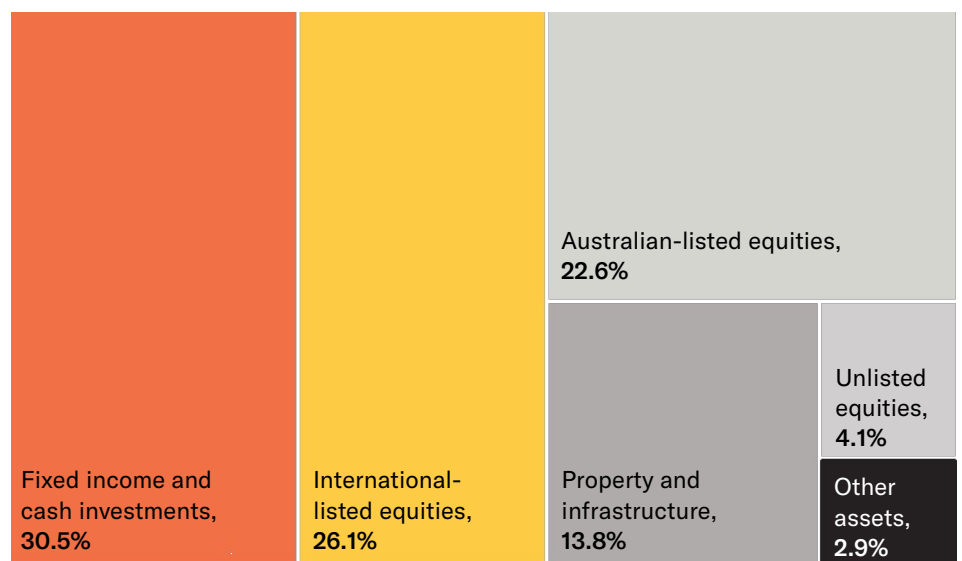
⁵² Australian Prudential Regulation Authority, "Quarterly Superannuation Performance Statistics March 2021", 25 May 2021, <https://www.apra.gov.au/quarterly-superannuation-statistics>.

TABLE 1. AUSTRALIAN SUPERANNUATION INDUSTRY ASSETS UNDER MANAGEMENT, BY FUND TYPE

Fund type	30 Dec 2019 (\$B)	30 Jun 2020 (\$B)	31 Dec 2020 (\$B)
Corporate	60.5	57.2	58.1
Industry	771.4	747.4	817.9
Public sector	532.2	530.5	552.6
Retail	638.5	593.2	633.3
Small APRA funds	2.1	1.9	1.9
Total APRA-regulated funds	2,004.7	1,930.20	2,063.8
SMSFs	739.7	730	763
Other	207.1	208.1	205.1
Total	2,951.5	2,868.4	3,031.8

Source: APRA, Quarterly Superannuation Performance Statistics, March 2021

FIGURE 2. AUSTRALIAN SUPERANNUATION INDUSTRY ASSET ALLOCATION, AS AT MARCH 2021



Data source: APRA, Quarterly Superannuation Performance Statistics, March 2021

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Industry funds control the most assets, with \$730.7 billion under management (37.9% of APRA-regulated AUM). Industry funds were followed by retail funds with \$568.1 billion in assets (29.4% of APRA-regulated AUM), then public sector funds with \$523.3 billion in assets (27.1% of APRA-regulated AUM), and corporate funds with \$48.4 billion in assets (2.5% of APRA-regulated AUM) (Tables 2 and 3).

Funds were also classified according to their industry association membership. These included the Australian Council of Superannuation Investors (ACSI), the Financial Services Council (FSC), the Investor Group on Climate Change (IGCC), the UN Principles for Responsible Investment (PRI), and the Responsible Investment Association of Australasia (RIAA) (Table 4).

In 2020, ACCR also examined funds who are signatories of the Australian Asset Owner Stewardship Code (AAOSC). Membership or signatory status was obtained from each industry association's website.

TABLE 2. FUNDS INCLUDED IN THIS REPORT, BY AUM

AUM	# of funds	Total AUM (\$B)	Change from 2019	% of APRA-regulated AUM
> \$100 billion	5	877.8	-6.74%	45.5%
\$50–100 billion	8	568.6	22.36%	26.7%
\$20–50 billion	7	215.4	-1.15%	11.2%
\$10–20 billion	11	136.6	-5.47%	7.1%
< \$10 billion	19	125.7	-5.77%	6.5%
Total	50	1,870.5	0.68%	96.9%

Source: APRA, Annual Fund-Level Superannuation Statistics, June 2020

TABLE 3. FUNDS INCLUDED IN THIS REPORT, BY FUND TYPE

Fund type	# of funds	Total AUM (\$B)	Change from 2019	% of APRA-regulated AUM
Corporate	4	48.4	-0.62%	2.5%
Industry	24	730.7	5.00%	37.9%
Public Sector	8	523.3	2.05%	27.1%
Retail	14	568.1	-5.38%	29.4%
Total	50	1,870.5	0.68%	96.9%

Source: APRA, Annual Fund-Level Superannuation Statistics, Jun 2020. NB: APRA reported AUM for Public Sector fund Commonwealth Super Corporation includes unfunded liabilities.

TABLE 4. FUNDS INCLUDED IN THIS REPORT, BY INDUSTRY ASSOCIATION

Industry association	# of funds	Total AUM (\$B)	% of APRA-regulated AUM
ACSI	27	948.7	49.2%
AAOSC	17	709.1	36.7%
FSC	10	598.4	31.0%
IGCC	21	1,346.5	69.8%
PRI	31	1,455.2	75.4%
RIAA	23	1,271.8	65.9%

Source: APRA, Annual Fund-Level Superannuation Statistics, June 2020

3.2 LEAD FILER CHARACTERISTICS

While proposals will often be jointly filed by multiple shareholders, generally they are “led” by a single entity. The ESG shareholder proposals analysed in this report were primarily filed by advocacy organisations, asset managers, pension funds, religious organisations, trade unions, individuals, or a combination of those categories.

Of the 273 ESG resolutions filed in 2020 in Australia, the UK, the US, Canada and Norway, just over 42% were filed by advocacy organisations, 28% were filed by asset managers, and just over 8% of shareholder resolutions were filed by pension funds. The remainder were filed by individuals, religious organisations, unions, and undisclosed entities (Table 5).

In the Australian context, most ESG resolutions are filed by research and advocacy organisations ACCR and Market Forces, as well as a handful of others. Since 2017, only one shareholder resolution has been led by a consortium of investors – Climate Action 100+, in which Australian super funds participated – calling for additional climate change disclosure at BP in 2019. This resolution received a record 99.4% shareholder support. Additionally, a handful of resolutions have been co-filed by Australian pension funds, including Vision Super,⁵³ Local Government Super,⁵⁴ LUCRF Super,⁵⁵ and Australian Ethical.⁵⁶

By comparison, in the US and Canada, pension funds have regularly led the filing of shareholder resolutions. In

2020, US pension funds Illinois State Treasurer, Comptroller of the State of New York, SEIU Master Trust, New York State Common Retirement Fund, and UAW Retiree Medical Benefits Trust, and Canadian funds United Church of Canada Pension Fund and B.C. Government and Service Employees' Union General Fund all led the filing of shareholder proposals.

TABLE 5. LEAD FILERS OF SHAREHOLDER PROPOSALS IN 2020

Filer category	Resolutions filed (%)
Advocacy or research organisation	43%
Asset manager	28%
Individual	7%
Pension fund	8%
Religious organisation	5%
Union	6%
Undisclosed entity	3%

3.3 SHAREHOLDER PROPOSALS

The report covers 959 shareholder proposals filed at 307 companies (Table 6) since 2017. Shareholder proposals at US-listed companies made up nearly 80% of the total proposals investigated, followed by Canada (10.11%) and Australia (9.49%). The proportion of shareholder proposals filed in the US is partly due to more favourable regulatory settings, namely, that a single US shareholder who owns at least US\$2,000 of common stock for at least one year is able to submit a shareholder resolution.⁵⁷ Shareholder access to boards in the US is also less common, which drives some shareholders to file a resolution in order to force a conversation with a company.

TABLE 6. NUMBER OF SHAREHOLDER PROPOSALS BY COUNTRY

Country	2017	2018	2019	2020	Total companies	Total proposals
Australia	11	18	30	32	24	91
Canada	16	10	38	33	31	97
United Kingdom	2	1	3	3	6	9
Norway	2	2	3	6	1	13
United States	210	176	164	199	245	749
Total	241	207	238	273	307	959

⁵³ BHP, 2019 – see also, Vision Super, “A year in review: Annual report 2020,” pp. 36–37, <https://www.visionssuper.com.au/wp-content/uploads/2020/10/annual-report-2020.pdf>

⁵⁴ Rio Tinto, 2018 – see also, Local Government Super, “LGS co-files shareholder resolution at Rio Tinto AGM,” 2 Mar 2018, <https://www.lgsuper.com.au/about-us/latest-news/local-government-super-co-files-shareholder-resolution-at-rio-tinto-agm/>

⁵⁵ Woolworths 2018, Coles 2019.

⁵⁶ QBE, 2019.

⁵⁷ Morrow Sodali, “Sec adopts new rules for submitting shareholder resolution in US,” 22 Oct 2020, <https://morrowssodali.com/insights/sec-adopts-new-rules-for-submitting-shareholder-resolution-in-us>

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Interestingly, in September 2020 the US Security and Exchange Commission (SEC) adopted a range of new criteria that has created a challenge for investors submitting or resubmitting shareholder proposals under the Exchange Act Rule 1a-8. Of note is that the rule imposes a tiered share ownership requirement of at least US\$2,000 for three years, US\$15,000 for at least two years and at least US\$25,000 for at least one year.⁵⁸ How these new rules will affect the volume of shareholder proposals lodged in the US will be realised come January 2, 2022, when the SEC changes come into effect, although new research in the Journal of Practical Guidance suggests that this number will continue to trend upwards despite the increased thresholds.⁵⁹

Despite it being a challenge for minority shareholders to lodge resolutions in ASX-listed companies, Australia has seen a year-on-year increase in the number of resolutions put to company AGMs. Although average support by Australian super funds for all shareholder proposals increased between 2017 and 2018, it declined slightly in 2019 and rose to its highest level in 2020 at 14.7% support. For the United Kingdom, Norway and the United States, support for shareholder proposals increased each year between 2017 and 2020 (Table 7). Overall support remained consistent between 2019 and 2020, with a significant increase in support seen for resolutions at Australian companies and a decline in support for resolutions at UK-listed companies.

The 959 shareholder proposals examined were classified into various ESG "themes" (Tables 8 and 9), revealing aggregate trends in proxy voting behaviour across different issues.

Our analysis showed that climate and lobbying-related proposals were more widely supported than proposals relating to any other theme between 2017 and 2020 (see Table 9).

TABLE 7. AVERAGE VOTE OF SHAREHOLDER PROPOSALS, BY COUNTRY

Country	2017	2018	2019	2020
Australia	6.7%	12.7%	10.2%	14.7%
Canada	11.6%	26.0%	11.5%	12.6%
United Kingdom	7.1%	5.5%	45.4%	13.8%
Norway	0.1%	0.3%	0.7%	0.6%
United States	21.7%	25.5%	26.7%	25.8%
All countries	19.9%	24.0%	22.0%	22.2%

TABLE 8. NUMBER OF SHAREHOLDER PROPOSALS, BY THEME

Category	2017	2018	2019	2020	Total
Environment – Climate	58	41	39	43	181
Environment – Other	13	11	8	13	45
Governance – Lobbying	66	60	58	35	219
Governance – Other	47	46	60	85	238
Social	57	49	68	97	271
Total	241	207	233	273	959

TABLE 9. AVERAGE VOTE OF SHAREHOLDER PROPOSALS BY THEME

Category	2017	2018	2019	2020
Environment – Climate	25.7%	28.9%	20.3%	26.6%
Environment – Other	20.9%	16.9%	22.3%	24.9%
Governance – Lobbying	24.0%	27.5%	33.2%	31.0%
Governance – Other	14.9%	20.1%	11.2%	20.9%
Social	12.0%	21.0%	23.5%	17.9%
All themes	19.6%	24.0%	22.1%	22.2%

⁵⁸ Ibid.

⁵⁹ Norwitz, T.S, et al. 2021. Market Trends 2020/21: Shareholder Proposals, *The Practical Guidance Journal*, 09 June 2021. Online version accessed, <https://www.wlrk.com/wp-content/uploads/2021/05/Market-Trends-2020-21-Shareholder-Proposals-002.pdf>

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In 2020, 23 of the 273 shareholder proposals filed across the five jurisdictions won majority support, including a shareholder proposal filed by ACCR at Woodside. This is a significant increase from the 10 resolutions that received majority shareholder support in 2019. Of those 23 resolutions, eight were environmental proposals, a further eight were proposals in relation to governance and four proposals were on social issues.

The resolution with the highest level of support (79.1%) was put to US company Genuine Parts by advocacy organisation As You Sow. This proposal was a social resolution which requested a report on human capital management. A similar proposal was also put to O’Reilly Automation, again lodged by As You Sow, garnering 66% shareholder support.

Between 2017–2020 in Australia, ESG shareholder resolutions were filed with 24 companies, primarily in the energy sector (Table 10). The number of ESG-related shareholder proposals going to a vote has steadily increased, with climate-related proposals the largest category.

Support for proposals relating to social issues at Australian companies has steadily increased, while support for amendments to company constitutions remains low (Table 11).

Overall, support for shareholder proposals at Australian companies has increased between 2017 and 2020 (Table 12).

TABLE 10. ESG RESOLUTIONS IN AUSTRALIA, BY SECTOR

Company	Sector	Shareholder proposals, 2017–2020
AGL Energy	Utilities	3
Australia and New Zealand Banking Group	Financials	3
Beach Energy	Energy	1
BHP Billiton	Materials	1
BHP Group	Materials	2
Coles Group	Consumer Staples	1
Commonwealth Bank of Australia	Financials	1
Cooper Energy	Energy	1
Downer EDI	Industrials	1
Insurance Australia Group	Financials	1
National Australia Bank	Financials	3
New Hope Corporation	Energy	1
Oil Search	Energy	1
Origin Energy	Energy	12
Qantas Airways	Industrials	2
QBE Insurance Group	Financials	4
Rio Tinto Ltd	Materials	3
Santos Ltd	Energy	4
Suncorp Group	Financials	1
Wagners Holding Company	Industrials	1
Westpac Banking Corp	Financials	1
Whitehaven Coal	Energy	3
Woodside	Energy	3
Woolworths	Consumer Staples	1

Note: Does not include constitutional amendments.

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TABLE 11. NUMBER OF AUSTRALIAN SHAREHOLDER PROPOSALS, BY THEME

Category	2017	2018	2019	2020	Total
Environment – Climate	7	8	15	13	43
Governance – Other	3	7	12	15	37
Social	1	3	3	1	8
Total	11	18	30	29	88

TABLE 12. AVERAGE VOTE OF AUSTRALIAN SHAREHOLDER PROPOSALS, BY THEME

Category	2017	2018	2019	2020
Environment – Climate	6.9%	19.0%	13.4%	24.7%
Governance – Other	6.2%	6.9%	5.3%	5.5%
Social	6.2%	9.7%	14.0%	11.8%
All themes (AU)	6.6%	12.7%	10.2%	14.7%

SECTION FOUR:

Findings

4.1 FINDINGS ON DISCLOSURE

COMPLETENESS OF DISCLOSURE

The number of funds which disclosed complete voting records in 2020 increased to 22 from 18 in 2019. Despite this, the majority of the largest 50 super funds in Australia still do not disclose a complete voting record. However, the number of funds which do not disclose a proxy voting record decreased from 11 in 2019 funds to eight in 2020, and five funds published complete voting records for the first time since 2018.

22 funds published complete voting records in 2020 (Table 13): 13 industry funds (IF), four public sector funds (PSF), three retail funds (RF) and two corporate funds (CF). Of these, nine have consistently published complete voting records since ACCR began tracking disclosures in 2017: AustralianSuper (IF), HESTA (IF), Cbus (IF), HOSTplus (IF), VisionSuper (PSF), Mercer (IF), Local Government Super (PSF), Mine Super (IF), and Australia Post Superannuation Scheme (PSF). Telstra Super, IOOF, equisuper, Russell Investments and EnergySuper

published complete voting records for the first time since 2018.

However, nine funds did not disclose a proxy voting record in 2020: Colonial First State (RF), Macquarie (RF), Netwealth Super (RF), HUB24 Super Fund (RF), AON (RF) Perpetual (RF), Energy Industries Super (PSF), LGIAsuper (PSF) and Maritime Super (IF).

Proportionally, retail funds continue to lag behind other fund types in terms of disclosure.

TABLE 13. SUPER FUNDS THAT DISCLOSED A COMPLETE PROXY VOTING RECORD IN 2020, BY FUND TYPE

Fund	Fund type	Fund	Fund type
AustralianSuper	Industry	Energy Super	Industry
UniSuper	Industry	Legalsuper	Industry
Sunsuper	Industry	Aware Super	Public sector
REST	Industry	Vision Super	Public sector
HESTA	Industry	Local Government Super	Public sector
Cbus	Industry	Australia Post Superannuation Scheme	Public sector
HOSTPlus	Industry	BT Financial Group	Retail
CareSuper	Industry	Mercer	Retail
equisuper	Industry	Russell Investments	Retail
NGS Super	Industry	Telstra Super	Corporate
Mine Super	Industry	Qantas Super	Corporate

WHEN AND HOW DISCLOSURE OCCURS

ACCR advocates that voting should be disclosed within a week of the company meeting and, where practicable, best practice is to disclose ahead of company meetings. Only one fund – Local Government Super – discloses its votes before company meetings are held; another six funds – BT Financial Group, Cbus, EquipSuper, NGS Super, HESTA and Telstra Super – disclose their votes within a week of the relevant company meeting. The majority of funds which disclose a voting record do so on an annual basis.

It has become more commonplace for funds to use online databases or dashboards to disclose their proxy voting records. While most funds that do this still disclose on an annual or semi-annual basis, four funds (HESTA, Cbus, Local Government Super and NGS Super) provide up-to-date proxy voting data which span multiple years. While it is up to a fund how to present its voting record, ACCR advocates for voting records to be published in an accessible format on fund websites, making it easy for fund members and shareholders to easily search for an individual vote. At present, 13 funds publish their voting records in a searchable database: BT Financial Group (RF), HESTA (IF), Cbus (IF), Mercer (RF), Telstra Super (CF), Equipsuper (IF), Vision Super (PSF), Local Government Super (PSF), NGS Super (IF), Russell Investments (RF), EnergySuper (IF), TWU Super (IF) and BUSSQ (IF). The remaining 26 funds which publish a voting record do so as a pdf linked from their website.

RATIONALE FOR VOTING

Only two funds publish rationales for voting on shareholder proposals in a particular way, as part of their voting records: Local Government Super (PSF) and Vision Super (PSF). These explanations can provide useful information about the funds' decision-making process.

For example, Local Government Super's explanation of its vote in favour of a shareholder proposal regarding an independent chair at Pfizer Inc.:

An independent chair is better able to oversee the executives of a company and set a pro-shareholder agenda.⁶⁰

And Vision Super's explanation of its vote in favour of a shareholder proposal regarding Paris-aligned greenhouse gas emissions reduction targets at Rio Tinto Ltd:

Voted FOR the resolution on the basis that it's in shareholders best interests to understand the extent to which RIO is assessing and taking action on risks and opportunities associated with climate change.⁶¹

Providing a brief rationale to explain why the fund has voted to abstain or vote against management is a reasonable expectation for transparency and another way in which a fund can be more accountable to its members.

VOTING BY MEMBERSHIP OF INDUSTRY ASSOCIATIONS

The super funds analysed in this report are members of and/or signatories to various representative

associations or codes, including the Australian Council of Superannuation Investors (ACSI), the Australian Asset Owner Stewardship Code (AAOSC), the Financial Services Council (FSC), the Investor Group on Climate Change (IGCC), the Responsible Investment Association Australasia (RIAA), and the Principles for Responsible Investment (PRI).

Of these groups, only the FSC mandates the disclosure of proxy voting records by members. The FSC obliges its members to publish an annual voting record, within three months after the end of the relevant financial year relating to listed Australian investments,⁶² and including the company name, a description of the proposal and how the member voted.⁶³

Many funds are members of the FSC, including ten analysed in this report. Of these, four funds – Macquarie Group, QSuper, Suncorp Super and HUB24 – do not adhere to FSC proxy voting disclosure requirements. Despite this, QSuper and Suncorp Super both provide detailed summaries of their proxy voting behaviours, while HUB24's voting policy states that consistent with the nature of their services, "the client (normally under the guidance of a licensed financial adviser) has the responsibility for selection of investments" and therefore "HUB24, as the provider of services, is not in a position to ascertain what the best voting decision would be for individual investors."⁶⁴

Catholic Super, Media Super, MTAA Super and TWUSuper are signatories to ACSI's Asset Owner Stewardship Code but only disclose a proxy voting record for their Australian shareholdings. Each fund has made a statement to the effect

⁶⁰ See "Pfizer" at LGS' online proxy voting database. Meeting date: 23 Apr 2020, <https://www.lgsuper.com.au/investments/responsible-investment/active-ownership/proxy>

⁶¹ See "Rio Tinto" at Vision Super's online proxy voting database. Meeting date: 7 May 2020, <https://viewpoint.glasslewis.com/WD/MeetingDetail/?siteId=Vision%20Super&securityId=41431>

⁶² Financial Services Council, "FSC Standard No.13: Voting Policy, Voting Record and Disclosure", <https://www.fsc.org.au/web-page-resources/fsc-standards/1518-13s-voting-policy-voting-record-and-disclosure-13>

⁶³ Paragraph 9.7, Standard 13, Financial Services Council.

⁶⁴ HUB24, "Voting Policy", accessed from <https://www.hub24.com.au/product-documents/hub24-invest-voting-policy/>

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that their international shareholdings are invested in pooled trusts, and voting is delegated to the relevant investment managers. All other signatories to the code disclose a complete proxy voting record.

DISCLOSURE BY FUNDS

Finding 1

Less than half of all funds disclose a complete voting record, including all Australian and international shareholdings. Disclosure of complete voting records increased significantly between 2019 and 2020, with 22 funds disclosing a complete record (up from 18 in 2019). There was some improvement with funds with no disclosure, down to eight from 11 in 2019 (Table 14).

Finding 2

Larger funds more often disclosed a complete voting record. Funds managing more than \$20 billion were more likely to disclose a complete proxy voting record (Table 15).

- Six of seven funds managing between \$50-100 billion disclose a complete voting record, and two funds managing more than \$100 billion disclose a complete voting record.
- Five of seven funds managing between \$20 billion and \$50 billion disclose a complete voting record. Five of 11 funds managing between \$10 billion and \$20 billion disclose a complete voting record.

Only five out of 19 funds managing less than \$10 billion disclose a complete voting record.

Finding 3

In 2020, more industry funds disclosed a complete voting record than other fund types (as defined by APRA). Retail funds had the most incomplete voting records (Table 16).

TABLE 14. FUNDS’ DISCLOSURE OF PROXY VOTING RECORDS IN 2020

Level of disclosure	# of funds	% of funds	Total AUM (\$B)	% of APRA-regulated AUM
Complete	22	44%	962.4	49.9%
Limited – AU only	11	22%	322.4	16.7%
Limited – Other	3	6%	131.4	6.8%
Summary only	6	12%	376.8	19.5%
No disclosure	8	18%	77.4	4.0%
Total	50	100%		

TABLE 15. FUNDS WITH COMPLETE VOTING RECORDS IN 2020, BY FUND SIZE (AUM)

AUM	Funds with complete voting record	Total funds	%
> \$100 billion	2	6	33%
\$50–100 billion	6	7	86%
\$20–50 billion	4	7	57%
\$10–20 billion	5	11	45%
< \$10 billion	5	19	26%

TABLE 16. FUNDS WITH COMPLETE VOTING RECORDS, BY FUND TYPE

Fund type	Funds with complete voting record	Total funds	%
Corporate	2	4	50%
Industry	13	24	54%
Public sector	4	8	50%
Retail	3	14	21%

- 13 of 23 industry funds disclose a complete voting record.
- Five of nine public sector funds disclose a complete voting record.
- Four of eight retail funds disclose a complete voting record.
- Two corporate funds disclosed a complete voting record.

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Finding 4

Members of some investment industry associations – ACSI, AAOSC, IGCC, PRI and/or RIAA – were more likely than non-members to disclose a complete voting record; FSC members were less likely than non-FSC members to disclose a complete voting record (Table 17).

TABLE 17. FUNDS WITH COMPLETE VOTING RECORDS, BY MEMBERSHIP OF INDUSTRY ASSOCIATION

Industry association	Members	Non-members
ACSI	63%	26%
AAOSC	71%	33%
FSC	30%	50%
IGCC	52%	41%
PRI	48%	42%
RIAA	64%	28%

Finding 5

Local Government Super discloses its votes before company meetings are held; another six funds disclose votes less than a week after the company meeting (Table 18).

TABLE 18. FREQUENCY OF DISCLOSURE

Frequency of disclosure	# of funds
Pre-disclosure	1
Within a week	6
Quarterly	3
Semi-annually	9
Annually	21
Summary only	6
No disclosure	8

- Six funds – BT Financial Group, Cbus, EquipSuper, HESTA, Telstra Super and NGS Super – disclose their votes within a week of the relevant company meeting. All of these funds, plus Local Government Super, use an online database to disclose their voting record, rather than a spreadsheet or document file.
- A further six funds also provide their voting data via an online platform, but disclose data annually or every six months.
- Three funds -AustralianSuper, Aware Super and QSuper- disclose voting data quarterly, although QSuper only discloses a summary.
- Nine funds disclose their voting records on a biannual basis.
- 21 funds disclose on an annual basis.
- Six funds disclose only a summary of their voting records and eight funds either do not vote or do not disclose a voting record (Appendix A).

Finding 6

27 funds published aggregate voting statistics either within a summary report of their voting behaviour or in the fund’s annual report. These voting statistics can include the total meetings attended and votes lodged, the jurisdictions of the meetings attended, how often the fund voted with or against management, how often the fund voted in favour of remuneration reports and directors, and an aggregate number of times shareholder proposals were supported (Appendix B). ACCR believes it is best practice to disclose a voting summary to ensure members have easy access to the top level data on how voting rights were exercised in the previous calendar or financial year.

On voting summary disclosures, only one fund, LUCRF, disclosed figures on all of the above metrics. Additionally, data was further divided by jurisdiction, to give a clear picture of voting behaviour

in Australia and internationally. Vision Super, Local Government Super, Cbus and Commonwealth Super Corporation also have exemplary voting summary disclosures, which include all but one of the above metrics.

- A further six funds also provide their voting data via an online platform, but disclose data annually or every six months.
- 34% of funds disclose the total number of meetings attended.
- 48% of funds disclose the total number of votes lodged.
- 38% of funds disclose voting statistics across Australia and international jurisdictions. 22% of funds include both Australian and international data as separate statistics.

- 38% of funds disclose how often they voted with or against management. Of the 19 funds that disclosed this information, 11 funds voted against management more than 10% of the time.
- Nine funds disclosed how often they voted against remuneration reports. Of these funds, five funds voted against remuneration reports more than 15% of the time.
- Nine (18%) funds disclosed how often they voted against directors in their voting summaries. Of these, six funds voted against directors more than 10% of the time.
- Nine funds disclosed the percentage of supportive votes on shareholder resolutions. Only five funds disclosed aggregate voting statistics that supported more than 50% of shareholder proposals, but only in international jurisdictions, which reconciled with our findings.

4.2 SHAREHOLDER PROPOSALS FILED 2017–2020

Finding 7

Aggregate support for shareholder proposals increased significantly between 2017 and 2018, but declined between 2018 and 2019. In 2020 support remained steady, only falling by 1% (Table 19).

TABLE 19. TREND IN AGGREGATE SUPPORT FOR PROPOSALS, 2017–2020

2017	34%
2018	54%
2019	43%
2020	42%
4 years	43%
Supportive votes	5,358
Total votes	12,409

Super Votes: How Australia's Largest Superannuation Funds Voted on ESG Resolutions in 2020

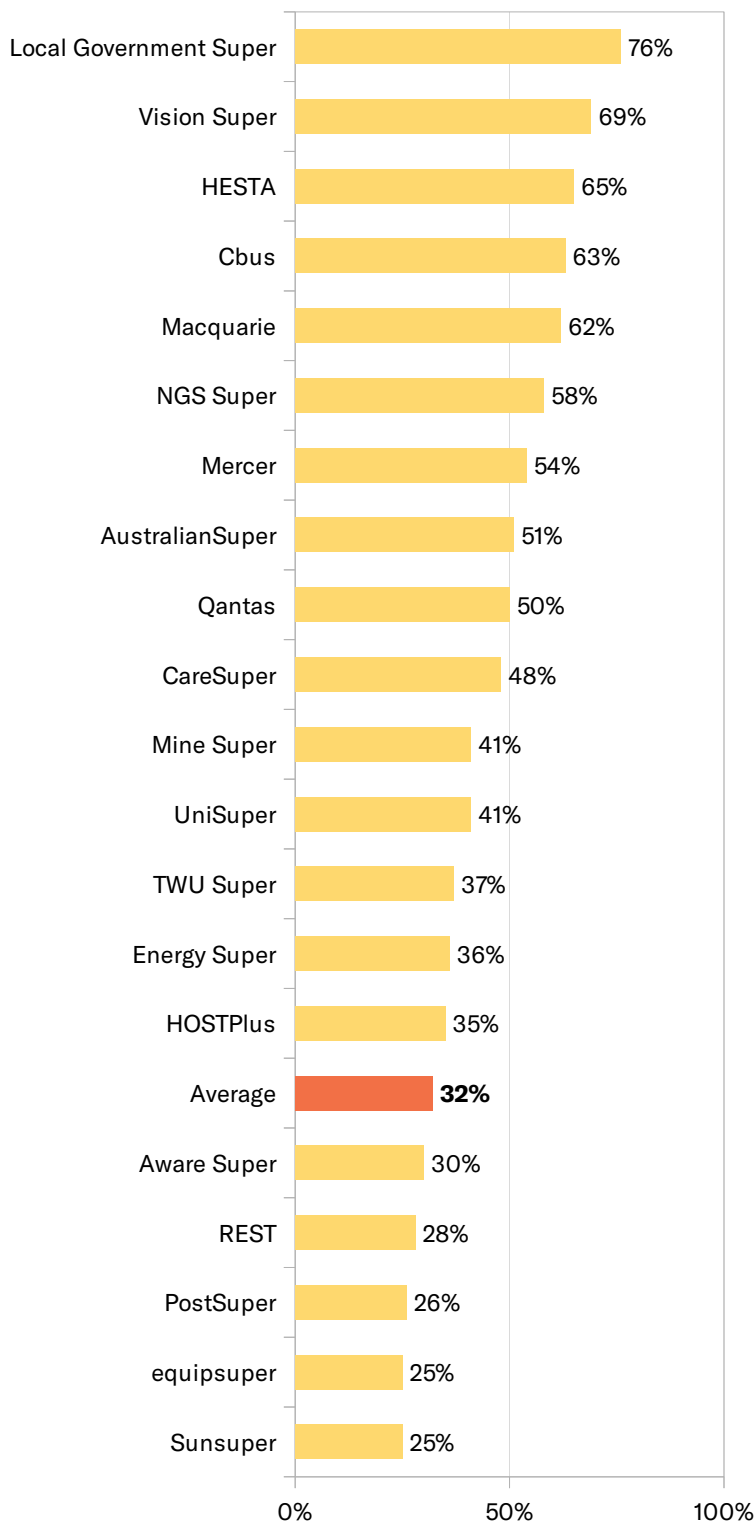
Finding 8

Local Government Super was by far the most supportive fund between 2017 and 2020 (76%); another eight funds supported a majority of proposals between 2017 and 2020 (**Table 20, Figures 3 and 4**).

- Nine funds supported the majority of proposals between 2017 and 2020: Local Government Super (76%), Vision Super (69%), HESTA (65%), Cbus (63%), Macquarie (62%), NGS Super (58%), Mercer (54%), AustralianSuper (51%) and Qantas Super (50%). These funds together manage \$398.3 billion, or just 21% of APRA-regulated AUM.
- Several funds showed dramatic increases in support for proposals over the three year period, including Cbus, NGS Super, UniSuper and Vision Super.
- Conversely, some funds' support for proposals declined between 2017 and 2020, including BT Financial Group, Local Government Super, Mine Super and MTAA Super.
- Some funds' records improved significantly due to greater disclosure, including Macquarie, CareSuper, Energy Super and REST.

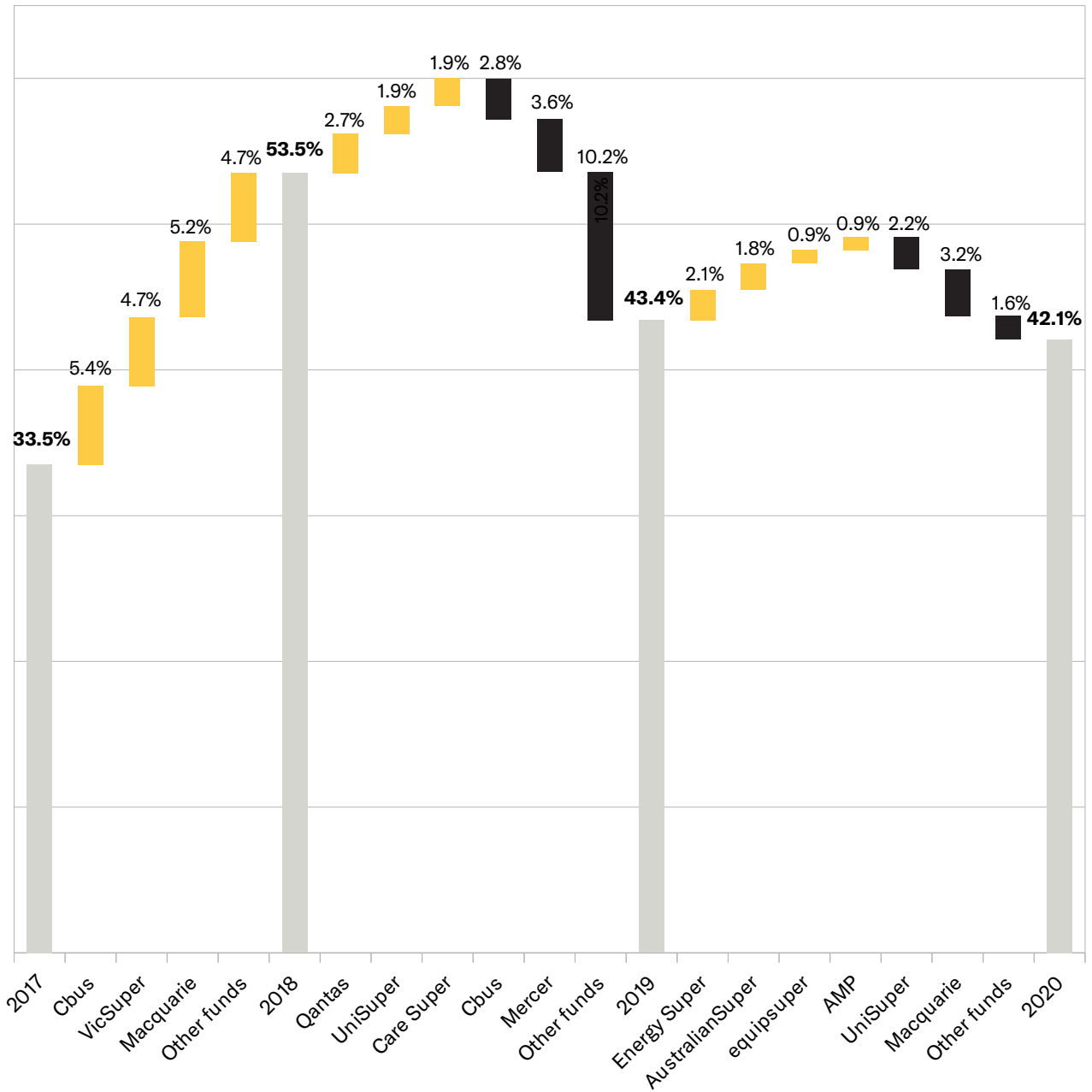
Just a handful of funds were responsible for the majority of the increase in aggregate support for shareholder proposals: VicSuper, Cbus, Macquarie, UniSuper, Qantas Super, CareSuper, Energy Super and AustralianSuper (**Figure 4**).

FIGURE 3: TOP 20 FUNDS' SUPPORT FOR SHAREHOLDER PROPOSALS, 2017-2020



Note: The average is calculated using data from all funds that disclose proxy voting records.

FIGURE 4. CONTRIBUTION TO AGGREGATE INCREASE IN SUPPORT FOR PROPOSALS, 2017-2019



**Super Votes: How Australia's Largest Superannuation Funds
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TABLE 20. TREND IN FUNDS' SUPPORT FOR PROPOSALS, 2017-2020

Fund	2017	2018	2019	2020	4 years	Supportive votes	Total votes
Local Government Super	85%	92%	70%	64%	76%	375	492
Vision Super	42%	89%	71%	79%	69%	425	613
HESTA	59%	72%	68%	63%	65%	560	863
Cbus	17%	87%	71%	71%	63%	523	836
Macquarie	0%	63%	65%	0%	62%	241	388
NGS Super	11%	34%	51%	86%	58%	140	240
Mercer	67%	64%	46%	46%	54%	305	568
AustralianSuper	37%	64%	55%	57%	51%	321	630
Qantas	39%	0%	59%	48%	50%	230	457
Care Super	0%	19%	49%	54%	48%	195	403
UniSuper	7%	49%	54%	29%	41%	177	433
Mine Super	46%	37%	45%	37%	41%	231	565
TWU Super	0%	20%	50%	40%	37%	11	30
Energy Super	6%	18%	6%	59%	36%	113	312
HOSTPlus	25%	37%	34%	38%	35%	244	699
Aware Super	27%	46%	33%	25%	30%	174	587
REST	0%	24%	29%	32%	28%	83	299
PostSuper	23%	31%	26%	26%	26%	142	543
equisuper	9%	13%	19%	32%	25%	68	267
Sunsuper	0%	32%	20%	29%	25%	132	523
Telstra Super	0%	38%	29%	21%	25%	102	410
BT Financial Group	50%	25%	16%	27%	23%	125	547
Tasplan	0%	39%	0%	16%	21%	22	107
Russell Investments	38%	0%	4%	17%	19%	50	269
Legal Super	0%	0%	10%	31%	18%	6	34
CommBank Group Super	0%	24%	17%	23%	18%	12	67
MTAA	27%	28%	7%	14%	16%	14	88
Media Super	0%	29%	3%	31%	14%	10	71
Catholic Super	0%	12%	0%	12%	12%	5	43
OnePath	0%	0%	10%	23%	9%	6	70
AMP	0%	6%	4%	18%	8%	7	83
Prime Super	0%	6%	5%	15%	8%	6	78
BUSSQ	0%	0%	0%	11%	8%	3	36
IOOF	10%	12%	0%	0%	4%	3	70
Colonial First	0%	0%	0%	0%	0%	0	13

Super Votes: How Australia's Largest Superannuation Funds Voted on ESG Resolutions in 2020

Finding 9

There was no strong correlation between fund size and trend in support for proposals between 2017 and 2020 (Table 21).

TABLE 21. AGGREGATE SUPPORT FOR PROPOSALS, BY FUND SIZE (AUM), 2017–2020

AUM	2017	2018	2019	2020	4 years
> \$100 billion	32%	44%	37%	39%	37%
\$50–100 billion	35%	61%	45%	44%	46%
\$20–50 billion	19%	57%	54%	38%	45%
\$10–20 billion	49%	56%	56%	52%	53%
< \$10 billion	26%	25%	39%	35%	33%

Finding 10

Industry funds were the only type to increase aggregate support for proposals between 2019 and 2020. Public sector funds remain the most supportive funds between 2017 and 2020 while corporate funds were the least supportive funds (Table 22).

TABLE 22. AGGREGATE SUPPORT FOR PROPOSALS, BY FUND TYPE, 2017–2020

Type	2017	2018	2019	2020	4 years
Corporate	36%	24%	66%	33%	40%
Industry	33%	48%	46%	47%	45%
Public sector	33%	69%	55%	46%	50%
Retail	36%	49%	38%	27%	44%

Finding 11

Aggregate support for proposals decreased across members of all industry associations between 2019 and 2020. Overall, members of ACSI, IGCC, PRI and RIAA support more shareholder proposals than their non-members (Table 23).

TABLE 23. AGGREGATE SUPPORT FOR PROPOSALS, BY MEMBERSHIP OF INDUSTRY ASSOCIATION, 2017–2020

Industry association		2017	2018	2019	2020	4 years
ACSI	Members	35%	59%	54%	48%	59%
	Non-members	20%	37%	29%	27%	49%
FSC	Members	38%	52%	38%	28%	51%
	Non-members	33%	54%	50%	45%	57%
IGCC	Members	36%	65%	52%	42%	60%
	Non-members	30%	41%	43%	42%	52%
PRI	Members	35%	60%	49%	45%	58%
	Non-members	29%	24%	39%	34%	47%
RIAA	Members	35%	62%	50%	45%	60%
	Non-members	28%	38%	42%	34%	46%

4.3 FINDINGS ON VOTING BEHAVIOUR IN 2020

Finding 12

Three funds supported more than 70% of proposals in 2020, with a further five funds supporting more than 50% of proposals (minimum 10 votes) ([Table 24](#)).

- Three funds supported more than 70% of proposals in 2020: NGS Super (86%), Vision Super (79%) and Cbus (71%). Together, these funds manage \$79.8b, just 4.1% of APRA-regulated AUM.
- A further five funds supported more than 50% but less than 70% of shareholder proposals in 2020: Local Government Super (64%), HESTA (63%), Energy Super (59%), AustralianSuper (57%) and Care Super (54%). Together, these funds represent \$291.8 billion, or 15.1% of APRA-regulated AUM.
- 27 funds supported less than 50% of shareholder proposals in 2020. 10 of these 27 funds supported less than 20% of shareholder proposals in 2020.
- 15 funds did not disclose sufficient data.
- Three funds did not support any proposals.

TABLE 24. FUNDS' VOTING BEHAVIOUR IN 2020 (MINIMUM 10 VOTES)

Fund	Supportive votes	Total votes	% of support
NGS Super	80	93	86%
Vision Super	138	175	79%
Cbus	178	251	71%
Local Government Super	93	146	64%
HESTA	155	247	63%
Energy Super	98	167	59%
AustralianSuper	143	250	57%
Care Super	110	204	54%
Qantas	91	188	48%
Mercer	91	197	46%
TWU Super	4	10	40%
HOSTPlus	91	242	38%
Mine Super	77	209	37%
equisuper	52	161	32%
REST	34	107	32%
Legal Super	4	13	31%
Media	4	13	31%
Sunsuper	73	250	29%
UniSuper	33	114	29%
BT Financial Group	67	252	27%
PostSuper	36	140	26%
Aware Super	60	243	25%
CommBank Group Super	3	13	23%
OnePath	3	13	23%
Telstra Super	50	238	21%
AMP	5	28	18%
Russell Investments	34	202	17%
Tasplan	3	19	16%
Prime Super	4	27	15%
MTAA	4	29	14%
Catholic Super	3	26	12%
BUSSQ	3	28	11%

Finding 13

There was no clear correlation between voting behaviour and fund size. Funds managing between \$10 billion and \$20 billion supported a majority of proposals in 2020 (Table 25).

TABLE 25. VOTING BEHAVIOUR IN 2020, BY FUND SIZE (AUM)

AUM	Supportive votes	Total votes	% of support
> \$100 billion	208	534	39%
\$50–100 billion	450	1234	44%
\$20–50 billion	345	907	38%
\$10–20 billion	453	871	52%
< \$10 billion	278	788	35%

Finding 14

Industry sector funds, closely followed by public sector funds, supported the most shareholder proposals in 2020. Retail funds remain the least likely to support proposals (Table 26).

TABLE 26. VOTING BEHAVIOUR IN 2020, BY FUND TYPE

Type	Supportive votes	Total votes	% of support
Corporate	144	439	33%
Industry	1153	2460	47%
Public sector	327	704	46%
Retail	200	731	27%

Finding 15

In 2020, members of ACSI, AAOSC, PRI and RIAA were more supportive of proposals than non-members; non-FSC members were more supportive of proposals than FSC members. IGCC members and non-members had the same level of support (Table 27).

TABLE 27. VOTING BEHAVIOUR IN 2020, BY INDUSTRY ASSOCIATION

Industry association	% of member support	% of non-member support
ACSI	48%	27%
FSC	28%	48%
IGCC	42%	42%
PRI	45%	34%
RIAA	45%	34%
AAOSC	49%	33%

4.4 FINDINGS ON PROPOSALS WITH SIGNIFICANT SHAREHOLDER SUPPORT, 2017–2020

ACCR’s previous analysis of funds’ proxy voting records has prompted debate around elucidating the hallmarks of a “supportable” shareholder proposal, i.e. what makes a shareholder proposal warrant and receive strong shareholder support? It has been suggested by some in the industry that not all proposals are supportable and in the best interests of beneficiaries, and therefore funds should not vote for them.

The factors determining a proposal’s “supportability” are varied. However,

indicators of supportability may include:

- the clarity and reasonableness of the resolution;
- the view of the company’s progress on the issue by shareholders;
- the level of support for a proposal by proxy advisers and/or management;
- the integrity and quality of the research and arguments presented in shareholder resolution;
- the credibility of the filers and co-filers.

In ACCR’s experience, proxy advisers are likely to recommend voting against proposals that are novel or not particularly well understood, irrespective of credibility considerations. Research shows that proxy advisers can each sway anywhere between 13–30% of shareholder votes.⁶⁵

Over 2017–2020, the median support for all shareholder proposals was 19.9% (Table 28). For this reason, we examined the difference in funds’ support for proposals where a proposal received 20% or more of shareholders’ support, where this threshold has been indicative of the likelihood of investor support.

TABLE 28. MEDIAN AND AVERAGE VOTE ON PROPOSALS, 2017–2020

	2017	2018	2019	2020	4 years
Median vote %	18.0%	21.5%	22.0%	16.1%	19.9%
Average vote %	20.0%	21.0%	22.1%	22.2%	22.1%

Finding 16

Aggregate support for proposals increased significantly where proposals were supported by more than 20% of shareholders (Table 29).

Finding 17

All funds that disclose proxy voting data were more supportive of proposals that were supported by more than 20% of shareholders.

Local Government Super and Vision Super supported the most proposals that were supported by less than 20% of shareholders, with 67% and 60% support respectively (Table 30).

TABLE 29. AGGREGATE SUPPORT FOR PROPOSALS, BY FINAL VOTE, 2017–2020

Support for proposal	2017	2018	2019	2020	4 years	Supportive votes	Total votes
< 20%	20.8	34.6	26.7	25.2	26.6	1711	6438
> 20%	52.1	77.7	68.8	61.9	65.44	3577	5466

⁶⁵ Chuah, K., Mitchell, I. and Tomson, L. “Another Link in the Chain: Uncovering the Role of Proxy Advisors in Investor Voting” (ShareAction for the Charities Responsible Investment Network), 10 February 2020, p. 4, https://shareaction.org/wp-content/uploads/2020/02/Another-Link-in-the-Chain_Uncoveringthe-role-of-proxy-advisors-in-investor-voting.pdf

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TABLE 30. FUNDS' AGGREGATE SUPPORT FOR PROPOSALS, BY FINAL VOTE, 2017-2020

Fund	Support for proposals < 20%	Support for proposals > 20%	Supportive votes	Total votes
Macquarie	22%	96%	241	388
HESTA	37%	93%	560	863
Local Government Super	67%	89%	375	492
Mercer	19%	85%	305	568
Qantas Super	18%	85%	230	457
Legal Super	4%	83%	6	34
Vision Super	60%	82%	425	613
TWU Super	28%	80%	11	30
Cbus	47%	79%	523	836
AustralianSuper	33%	72%	321	630
Care Super	29%	70%	195	403
CommBank Group Super	9%	70%	12	67
Media Super	5%	70%	10	71
NGS Super	53%	67%	140	240
Mine Super	20%	67%	231	565
UniSuper	32%	67%	297	602
OnePath	24%	63%	177	433
HOSTPlus	0%	60%	3	13
Energy Super	16%	55%	244	699
AMP	22%	53%	113	312
Prime Super	0%	50%	7	83
REST	0%	50%	6	78
Tasplan Super	12%	50%	83	299
equipsuper	9%	50%	22	107
Telstra Super	8%	50%	68	267
Aware Super	8%	43%	102	410
PostSuper	18%	43%	174	587
Sunsuper	12%	42%	142	543
Catholic Super	11%	40%	132	523
Perpetual	3%	36%	5	43
BUSSQ	8%	36%	9	62
BT Super	0%	33%	3	36
Russell Investments	15%	31%	125	547
MTAA Super	9%	29%	50	269

4.5 FINDINGS ON VOTING BEHAVIOUR BY JURISDICTION

Finding 18. Most funds supported a significantly higher proportion of proposals at US companies than at Australian companies between 2017 and 2020 (Table 31, Figure 5).

On average, Australian super funds are supporting more shareholder proposals in Canada, the United Kingdom, and the United States than in Australia. Possible reasons for this include:

- the smaller sample of Australian proposals;
- the precondition in Australia of an amendment to a company's constitution in order to allow for an ordinary proposal;
- Funds' geographical distance from, and lack of access to boards and senior management at US companies, suggest a greater willingness to vote against board recommendations;
- Greater knowledge of and access to the boards of Australian companies; and
- The greater range of engagement tools available to funds when engaging with Australian companies.

In addition:

- Three funds supported more than 50% of proposals at Australian companies between 2017 and 2020: HESTA, Vision Super and NGS Super.
- By contrast, 13 funds supported more than 50% of proposals at US companies between 2017 and 2020.

Two funds supported a higher proportion of proposals at Australian companies than US companies between 2017 and 2020: MTAA Super and NGS Super. BT Financial Group supported the same level of shareholder proposals in both jurisdictions.

TABLE 31. FUNDS' SUPPORT FOR PROPOSALS AT AUSTRALIAN AND US COMPANIES, 2017–2020

Fund	Supportive votes (AU)	% of support (AU)	Supportive votes (US)	% of support (US)
AustralianSuper	9	10%	287	58%
Aware Super	16	19%	141	33%
BT Financial Group	21	25%	95	25%
CareSuper	5	6%	163	61%
Cbus	11	12%	459	71%
Energy Super	3	5%	97	42%
equisuper	5	6%	62	35%
HESTA	50	58%	479	71%
HOSTPlus	13	15%	218	41%
Local Government Super	32	42%	323	88%
Macquarie	5	16%	223	73%
Mercer	6	8%	287	66%
Mine Super	3	5%	223	50%
MTAA Super	10	16%	4	15%
NGS Super	55	66%	84	55%
PostSuper	0	0%	133	30%
Qantas Super	6	13%	215	61%
REST	0	0%	78	37%
Russell Investments	1	3%	47	23%
Sunsuper	16	20%	107	30%
Tasplan Super	0	0%	20	59%
Telstra Super	7	10%	84	29%
UniSuper	0	0%	156	50%
Vision Super	49	59%	356	74%

Super Votes: How Australia's Largest Superannuation Funds Voted on ESG Resolutions in 2020

Finding 19

Three funds supported 50% or more of proposals at Australian companies in 2020 (Table 32, Figure 5).

Finding 20

13 funds supported more than 50% of proposals at US companies in 2020 (Table 32, Figure 5).

Finding 21

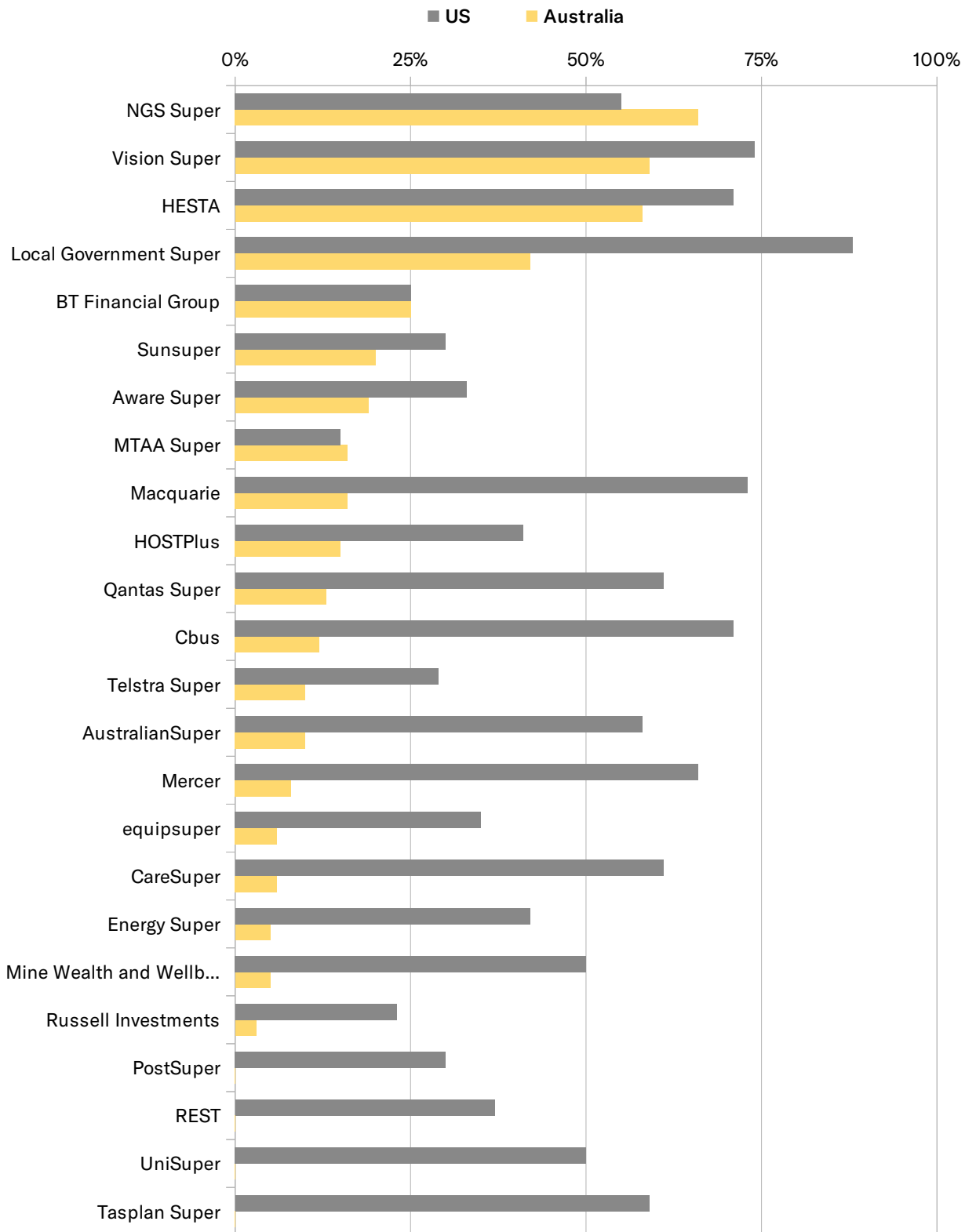
22 funds supported a higher proportion of proposals at US companies than they did at Australian companies in 2020 (Table 32, Figure 5).

TABLE 32. FUNDS' SUPPORT FOR PROPOSALS AT AUSTRALIAN AND US COMPANIES, 2020

Fund	Supportive votes (AU)	% of support (AU)	Supportive votes (US)	% of support (US)
AustralianSuper	4	14%	126	67%
Aware Super	6	21%	49	27%
BT Financial Group	7	22%	54	29%
CareSuper	0	0%	91	64%
Cbus	4	13%	153	82%
Energy Super	3	23%	83	63%
equisuper	3	11%	48	39%
HESTA	18	64%	128	71%
HOSTPlus	4	13%	83	48%
Local Government Super	6	25%	82	80%
Mercer	4	13%	86	52%
Mine Super	2	15%	72	43%
MTAA Super	0	0%	4	15%
NGS Super	26	93%	53	84%
Qantas Super	4	31%	85	58%
REST	0	0%	34	38%
Russell Investments	1	8%	31	19%
Sunsuper	8	25%	60	34%
Tasplan Super	0	0%	2	67%
Telstra Super	4	15%	41	24%
UniSuper	0	0%	31	38%
Vision Super	22	85%	107	81%

Super Votes: How Australia's Largest Superannuation Funds Voted on ESG Resolutions in 2020

FIGURE 5. FUNDS' SUPPORT FOR PROPOSALS AT AUSTRALIAN AND US COMPANIES, 2017-2020



4.6 FINDINGS ON CLIMATE AND ENVIRONMENT PROPOSALS

While climate and environmental proposals made up only 24% of the shareholder proposals between 2017–2020, these types of proposals have often garnered significant shareholder support. 40% of the top 20 ESG proposals by shareholder support were climate and environmental resolutions, which received average support of 62.4%. The majority of these proposals related to climate-risk and transition planning.

Board oversight of climate risk, the development or obstruction of climate policy, climate-related lobbying by companies and company representatives, carbon financing, the closure of fossil fuel assets, the health impacts of fossil fuel assets, and transition planning are all priority issues for shareholders. Other issues which are commonly raised by shareholders include those relating to deforestation, waste, and water.

FINDINGS: CLIMATE

Finding 22

Aggregate support for climate-related proposals increased between 2017 and 2018, declined significantly in 2019 but rose again in 2020 (Table 33).

Finding 23

Almost all funds increased their support for climate-related proposals between 2017 and 2018, but for many, that support declined in 2019. In 2020, nearly all funds increased their support for climate-related proposals, with NGS Super and Vision Super supporting 100% and 95% respectively.

Seven funds (which disclosed a minimum of 10 votes) did not support any climate-related proposals in 2020 (Table 34).

Finding 24

11 funds (which disclosed a minimum of 10 votes) supported more than 50% of climate-related proposals between 2017–2020, while nine funds supported more than 50% of climate-related proposals in 2020 (Tables 34 and 35).

⁶⁶ Glass Lewis, p. 27.

RESOLUTIONS IN FOCUS:

Climate targets and lobbying at Woodside and Santos

In April 2020, at Santos' first online-only AGM, shareholders voted in unprecedented numbers for two shareholder resolutions filed by ACCR:

- 43.39% support (~51% excluding ENN & Hony shareholdings) on Paris goals and targets
- 46.35% support (~55% excluding ENN & Hony shareholdings) on climate-related lobbying

The level of support received for the Paris goals and targets resolution, which explicitly called for targets on Scope 1, 2 and 3 emissions (those from products sold), was a world-first.

These results were repeated at Woodside's AGM later in the month:

- 50.16% support on Paris goals and targets
- 42.66% support on climate-related lobbying

At Santos and Woodside AGMs, proxy advisers ACSI, Glass Lewis, ISS, PIRC (UK) and Regnan recommended in favour of both shareholder resolutions, against board recommendations. Glass Lewis reasoned that “despite Santos' emissions targets, they did not appear to be aligned with the goals of the Paris Agreement, and Woodside Petroleum appeared to have set targets only for the shortterm” [sic].⁶⁶

TABLE 33. AGGREGATE SUPPORT FOR CLIMATE-RELATED PROPOSALS, 2017–2020

2017	35
2018	54
2019	33
2020	46
4 years	41
Supportive votes	1,025
Total votes	2,522

Super Votes: How Australia's Largest Superannuation Funds Voted on ESG Resolutions in 2020

TABLE 34. FUNDS' SUPPORT FOR CLIMATE-RELATED PROPOSALS, 2017-2020 (MINIMUM 20 TOTAL VOTES)

Fund	2017	2018	2019	2020	4 years
Vision Super	67%	94%	60%	95%	76%
HESTA	79%	81%	59%	72%	73%
Local Government Super	81%	100%	50%	55%	70%
NGS Super	13%	33%	88%	100%	70%
Mercer	68%	69%	41%	50%	59%
Macquarie	0%	64%	63%	0%	57%
Cbus	13%	90%	61%	64%	52%
AustralianSuper	41%	67%	36%	56%	47%
BT Financial Group	50%	60%	35%	39%	41%
Qantas Super	25%	0%	34%	48%	40%
Aware Super	35%	67%	30%	42%	40%
Mine Super	46%	21%	22%	54%	38%
Sunsuper	0%	44%	23%	49%	37%
Telstra Super	0%	40%	22%	39%	33%
CareSuper	0%	43%	27%	41%	32%
CommBank Group Super	0%	57%	27%	50%	31%
HOSTPlus	0%	41%	20%	44%	30%
Energy Super	6%	33%	6%	56%	29%
UniSuper	0%	0%	52%	0%	28%
Russell Investments	39%	0%	0%	25%	28%
Media Super	0%	57%	7%	67%	26%
PostSuper	21%	33%	6%	43%	24%
MTAA Super	29%	50%	7%	0%	20%
REST	0%	15%	21%	29%	19%
equisuper	10%	0%	13%	31%	17%
Prime Super	0%	13%	10%	33%	16%
AMP	0%	13%	7%	36%	15%
ANZ OnePath	0%	0%	14%	0%	7%
Tasplan Super	0%	18%	0%	0%	5%
IOOF	0%	14%	0%	0%	3%
MLC	0%	0%	0%	0%	0%

TABLE 35. FUNDS' SUPPORT FOR CLIMATE-RELATED PROPOSALS IN 2020 (MINIMUM 10 VOTES)

Fund	Supportive votes	Total votes	% of support
NGS Super	12	12	100%
Vision Super	19	20	95%
HESTA	28	39	72%
Cbus	23	36	64%
Energy Super	14	25	56%
AustralianSuper	19	34	56%
Local Government Super	11	20	55%
Mine Super	14	26	54%
Mercer	14	28	50%
Sunsuper	20	41	49%
Qantas Super	13	27	48%
HOSTPlus	18	41	44%
PostSuper	6	14	43%
Aware Super	14	33	42%
CareSuper	14	34	41%
Telstra Super	15	38	39%
BT Financial Group	16	41	39%
AMP	4	11	36%
Prime Super	4	12	33%
equisuper	8	26	31%
REST	4	14	29%
Russell Investments	7	28	25%
UniSuper	0	13	0%

Super Votes: How Australia’s Largest Superannuation Funds Voted on ESG Resolutions in 2020

Finding 25

There was no clear correlation between voting behaviour on climate-related proposals and fund size (Table 36).

TABLE 36. SUPPORT FOR CLIMATE-RELATED PROPOSALS, BY FUND SIZE (AUM), 2020

AUM	Supportive votes	Total votes	% of support
> \$100 billion	37	85	44%
\$50–100 billion	88	191	46%
\$20–50 billion	61	154	40%
\$10–20 billion	70	136	51%
< \$10 billion	57	136	42%

Finding 26

Public sector funds supported the majority of climate-related proposals in 2020. Retail funds remain the least supportive of climate-related proposals (Table 37).

TABLE 37. SUPPORT FOR CLIMATE-RELATED PROPOSALS, BY FUND TYPE, 2020

Fund type	Supportive votes	Total votes	% of support
Corporate	30	73	41%
Industry	188	405	46%
Public sector	51	91	56%
Retail	44	133	33%

Finding 27

Members of ACSI, PRI and RIAA were more supportive of climate-related proposals than non-members in 2020; non-FSC and non-IGCC members were more supportive of climate-related proposals than their members in 2020. Signatories of the AAOSC were also more supportive of climate-related proposals than non-signatories in 2020 (Table 38).

TABLE 38. SUPPORT FOR CLIMATE-RELATED PROPOSALS, BY INDUSTRY ASSOCIATION MEMBERSHIP, 2020

Industry association	% of member support	% of non-member support
ACSI	48%	36%
FSC	34%	47%
IGCC	44%	45%
PRI	47%	38%
RIAA	46%	41%
AAOSC	49%	39%

4.7 FINDINGS ON GOVERNANCE PROPOSALS

In all of the jurisdictions analysed in this report, governance-related resolutions made up nearly half (48%) of all shareholder proposals between 2017–2020. Over the four years examined for this report, lobbying-specific proposals garnered the highest average shareholder support (31%). Eight of the top 20 ESG proposals by shareholder support are governance-related resolutions, which received average shareholder support of 57.7%. The majority of these proposals related to lobbying or election spending.

Other governance-related proposals in 2020 included board diversity, policy-related matters, constitutional amendments, promotion velocity, and linking executive pay to ESG responsibilities.

FINDINGS: GOVERNANCE (LOBBYING)

Finding 28

Aggregate support for lobbying-related proposals increased between 2017 and 2018, then plateaued in 2019. In 2020, support dropped by 10% to 63%. Overall, aggregate support for lobbying-related proposals garnered 66% support (Table 39).

Finding 29

Almost all funds (which disclosed a minimum of 10 votes) increased their support for lobbying-related proposals between 2017 and 2020. 16 funds supported a majority (>50%) of lobbying-related proposals in the years examined (Table 40).

Finding 30

14 funds (which disclosed a minimum of 10 votes) supported a majority of lobbying-related proposals in 2020 (Table 41).

RESOLUTIONS IN FOCUS:

US union resolutions on lobbying, election spending

In 2020, many shareholders sought greater transparency on political spending by companies. Among them were US unions Service Employees International Union (SEIU), representing two million workers in industries including healthcare, education, transport, and law enforcement, and the Teamsters, representing 1.4 million workers in industries including transport and warehousing.

Both unions (as well as SEIU Master Trust, the pension fund attached to SEIU), filed shareholder resolutions calling on companies to review and report on their lobbying activities and/or expenditures. They received significant support from shareholders. Standout votes included:

- 52.25% support for SEIU proposal at US industrials company Alaska Air Group
- 42.52% support for SEIU Master Trust proposal at US real estate company GEO Group
- 53.15% support for the Teamsters’ proposal at US industrials company J.B. Hunt Transport Services.

TABLE 39. AGGREGATE SUPPORT FOR LOBBYING-RELATED PROPOSALS, 2017–2020

2017	45%
2018	74%
2019	73%
2020	63%
4 years	66%
Supportive votes	1,580
Total votes	2,409

Super Votes: How Australia's Largest Superannuation Funds Voted on ESG Resolutions in 2020

TABLE 40. FUNDS' SUPPORT FOR LOBBYING PROPOSALS, 2017–2020 (MINIMUM 10 VOTES)

Fund	2017	2018	2019	2020	4 years
Local Government Super	87%	100%	98%	94%	93%
Macquarie	0%	89%	95%	0%	92%
Mercer	0%	91%	96%	80%	90%
HESTA	72%	89%	95%	82%	84%
CareSuper	0%	0%	90%	82%	83%
Qantas Super	54%	0%	93%	86%	78%
Vision Super	47%	95%	93%	94%	77%
Cbus	27%	95%	96%	93%	77%
NGS Super	0%	50%	75%	100%	72%
Tasplan Super	0%	71%	0%	0%	71%
AustralianSuper	53%	81%	80%	87%	69%
Mine Super	60%	61%	83%	71%	67%
UniSuper	10%	93%	80%	58%	65%
HOSTPlus	33%	55%	73%	68%	61%
equisuper	0%	60%	50%	61%	59%
Energy Super	0%	27%	18%	79%	52%
Aware Super	36%	27%	66%	39%	48%
REST	0%	47%	39%	58%	46%
Telstra Super	0%	60%	62%	21%	44%
PostSuper	39%	35%	52%	43%	41%
Sunsuper	0%	10%	29%	41%	31%
BT Financial Group	0%	40%	16%	43%	28%
Russell Investments	0%	0%	0%	0%	0%

TABLE 41. FUNDS' SUPPORT FOR LOBBYING-RELATED PROPOSALS, 2020 (MINIMUM 10 VOTES)

Fund	Supportive votes	Total votes	% of support
Vision Super	17	18	94%
Local Government Super	16	17	94%
Cbus	27	29	93%
AustralianSuper	26	30	87%
Qantas Super	18	21	86%
CareSuper	23	28	82%
HESTA	23	28	82%
Mercer	20	25	80%
Energy Super	19	24	79%
Mine Super	17	24	71%
HOSTPlus	19	28	68%
equisuper	11	18	61%
REST	7	12	58%
UniSuper	7	12	58%
BT Financial Group	12	28	43%
Post Super	6	14	43%
Sunsuper	12	29	41%
Aware Super	11	28	39%
Telstra Super	6	28	21%
Russell Investments	0	25	0%

Super Votes: How Australia’s Largest Superannuation Funds Voted on ESG Resolutions in 2020

Finding 31

There was no clear correlation between voting behaviour on lobbying-related proposals and fund size. Generally, funds larger than \$10 billion were more supportive of lobbying-related proposals in 2020 (Table 42).

TABLE 42. SUPPORT FOR LOBBYING-RELATED PROPOSALS, BY FUND SIZE (AUM), 2020

AUM	Supportive votes	Total votes	% of support
> \$100 billion	38	64	59%
\$50–100 billion	91	149	61%
\$20–50 billion	68	117	58%
\$10–20 billion	73	102	72%
< \$10 billion	43	91	47%

Finding 32

Industry and Public sector funds supported a majority of lobbying-related proposals in 2020, with 68% and 61% support respectively. Retail funds remain the least supportive of lobbying-related proposals (Table 43).

TABLE 43. SUPPORT FOR LOBBYING-RELATED PROPOSALS, BY FUND TYPE, 2020

Fund type	Supportive votes	Total votes	% of support
Corporate	24	52	46%
Industry	205	302	68%
Public sector	51	84	61%
Retail	33	85	39%

Finding 33

In 2020, members of/signatories to ACSI, AAOSC, IGCC, PRI and RIAA were more supportive of lobbying-related proposals than non-members/signatories; while non-FSC members were more supportive of lobbying-related proposals than FSC members (Table 44).

TABLE 44. SUPPORT FOR LOBBYING-RELATED PROPOSALS, BY MEMBERSHIP OF INDUSTRY ASSOCIATION, 2020

Industry association	% of member support	% of non-member support
ACSI	67%	39%
FSC	39%	64%
IGCC	60%	59%
PRI	63%	52%
RIAA	62%	53%
AAOSC	66%	52%

4.8 FINDINGS ON SOCIAL PROPOSALS

For PIRC UK, the biggest independent corporate governance and shareholder advisory consultancy in Europe, 2020 was the year that the “S” in “ESG” “came of age”.⁶⁷

97 shareholder resolutions on social issues – covering gender and pay, animal welfare, health, human rights, labour, and media issues – were filed with companies in Australia, the UK, Norway, the US and Canada in 2020 (Table 45).

TABLE 45. SUPPORT FOR SOCIAL PROPOSALS, BY MAJOR CATEGORY, 2020

Major category	Supportive votes	Total votes	% of support
Animal welfare	14	66	21%
Gender pay	115	246	47%
Health	63	129	49%
Human rights	160	383	42%
Labour	148	527	28%
Media	49	100	49%
Other	19	86	22%

RESOLUTIONS IN FOCUS:

As You Sow on human capital management

Advocacy group As You Sow filed identical resolutions on human capital management with US companies Genuine Parts and O'Reilly Automotive. These resolutions received a staggering 79%⁶⁸ and 66%⁶⁹ of shareholder support respectively.

The resolutions requested the board of each company to report on how they were managing 'material human capital risks and opportunities', in line with sector-specific standards set out by the Sustainability Accounting Standards Board.

As You Sow argued that the retail sector's

“low-average wages, which help [the companies] maintain low prices on products, may increase labor-related risks... Companies can face decreases in market share and revenue from negative consumer sentiment in the event of public disagreement between companies and workers.”⁷⁰

⁶⁷ The Poverty and Inequality Research Centre (PIRC), “The S in ESG comes of age,” 30 Sept 2020, <https://pirc.co.uk/?p=1404>.

⁶⁸ As You Sow, “Genuine Parts: Human Capital Management Disclosures,” <https://www.asyousow.org/resolutions/2019/12/10/genuine-parts-human-capital-management-disclosures>

⁶⁹ As You Sow, “O'Reilly Automotive: Human Capital Management Disclosures,” <https://www.asyousow.org/resolutions/2019/12/10/oreilly-automotive-human-capital-management-disclosures>

⁷⁰ As You Sow, Genuine Parts: Human Capital Management Disclosures.

RESOLUTIONS IN FOCUS:

Oxfam files on human rights due diligence

Oxfam America filed four shareholder resolutions in the first half of 2020 relating to human rights due diligence, achieving significant shareholder support for each:

- 31% support at Amazon.com (39% independent support)
- 44.7% support at Kroger
- 12.8% support at Pilgrim’s Pride (65% independent support)⁷¹
- 37% support at Sanderson farms

This unprecedented level of support reflects growing investor concern around the long-term impacts of poor supply chain management, and investor willingness to support human rights due diligence resolutions.

As Oxfam America notes:

COVID-19 has shone a bright light on the financial toll companies pay when they ignore workers’ rights, community impacts, and the importance of resilient supply chains. Outbreaks of COVID-19 in poultry processors like Tyson, whose CEO announced their ‘supply chain is breaking’ following the illness and death of factory workers, have led to volatility and declines in stock price.⁷²

In the 2021 proxy voting season, a shareholder resolution filed at Tyson Foods obtained a staggering 88% of shareholder support.⁷³

FINDINGS:
SOCIAL

Finding 33

Aggregate support for social proposals increased significantly between 2017 and 2018, then plateaued in 2019. In 2020, support dropped by 11% to 37%. Overall, aggregate support for socially-related proposals garnered 40% support (Table 46).

TABLE 46. AGGREGATE SUPPORT FOR SOCIAL PROPOSALS, 2017-2020

2017	26
2018	45
2019	48
2020	37
4 years	40
Supportive votes	1,455
Total votes	3,634

⁷¹ 78% of stock is owned by parent company JBS.

⁷² Kearney, D. & Contractor, S. “Investors embrace human rights in the era of Corona,” Oxfam America in Responsible Investor, 4 Sept 2020, <https://www.responsible-investor.com/articles/investors-embrace-human-rights-in-the-era-of-corona>

⁷³ International Brotherhood of Teamsters, “Shareholders Win Unprecedented Support for Reforms at Tyson Foods,” 19 Feb 2021, <https://www.prnewswire.com/news-releases/shareholders-win-unprecedented-support-for-reforms-at-tyson-foods-301231757.html>

Super Votes: How Australia's Largest Superannuation Funds Voted on ESG Resolutions in 2020

Finding 34

Six funds (which disclosed a minimum of 10 votes) supported a majority (>50%) of social proposals in the years examined. 2018 and 2019 had the highest levels of support with support either plateauing or decreasing across the funds in 2020 (Table 47).

TABLE 47. FUNDS' SUPPORT FOR SOCIAL PROPOSALS, 2017–2020 (MINIMUM 10 VOTES)

Fund	2017	2018	2019	2020	4 years
Local Government Super	97%	82%	86%	60%	79%
Vision Super	36%	85%	78%	73%	68%
Cbus	15%	80%	80%	74%	67%
NGS Super	0%	55%	37%	85%	60%
Macquarie	0%	46%	62%	0%	55%
HESTA	26%	56%	68%	53%	52%
AustralianSuper	25%	65%	71%	45%	46%
Qantas Super	21%	0%	69%	37%	45%
CareSuper	0%	25%	43%	48%	45%
Mercer	0%	45%	47%	29%	38%
Energy Super	0%	14%	4%	55%	37%
UniSuper	10%	36%	49%	27%	35%
Mine Super	33%	31%	61%	21%	33%
HOSTPlus	35%	28%	33%	27%	30%
Sunsuper	0%	27%	21%	27%	25%
equisuper	0%	13%	25%	25%	24%
Aware Super	17%	50%	27%	18%	23%
PostSuper	9%	26%	31%	23%	23%
REST	0%	6%	39%	14%	22%
Tasplan Super	0%	29%	0%	33%	21%
Telstra Super	0%	20%	29%	16%	21%
Russell Investments	0%	0%	25%	20%	20%
MTAA Super	0%	33%	33%	13%	20%
BT Financial Group	0%	6%	15%	22%	18%

Finding 35

Six funds (which disclosed a minimum of 10 votes) supported a majority of social proposals in 2020 (Table 48).

TABLE 48. FUNDS' SUPPORT FOR SOCIAL PROPOSALS, 2020 (MINIMUM 10 VOTES)

Fund	Supportive votes	Total votes	% of support
NGS Super	33	39	85%
Cbus	69	93	74%
Vision Super	51	70	73%
Local Government Super	32	53	60%
Energy Super	35	64	55%
HESTA	47	89	53%
CareSuper	32	67	48%
AustralianSuper	42	93	45%
Qantas Super	28	75	37%
Mercer	19	66	29%
Sunsuper	24	88	27%
UniSuper	12	44	27%
HOSTPlus	23	85	27%
equisuper	15	61	25%
PostSuper	15	64	23%
BT Financial Group	20	90	22%
Mine Super	17	82	21%
Russell Investments	16	80	20%
Aware Super	16	96	18%
Telstra Super	14	87	16%
REST	6	42	14%

Super Votes: How Australia's Largest Superannuation Funds Voted on ESG Resolutions in 2020

Finding 36

There was no clear correlation between voting behaviour on social proposals and fund size (Table 49).

TABLE 49. SUPPORT FOR SOCIAL PROPOSALS, BY FUND SIZE (AUM), 2020

AUM	Supportive votes	Total votes	% of support
> \$100 billion	58	185	31%
\$50–100 billion	178	446	40%
\$20–50 billion	88	305	29%
\$10–20 billion	150	317	47%
< \$10 billion	94	284	33%

Finding 37

Public sector and industry funds supported a majority of social proposals in 2020 with 51% and 45% support respectively. Retail funds remain the least supportive of social proposals (Table 50).

TABLE 50. SUPPORT FOR SOCIAL PROPOSALS, BY FUND TYPE, 2020

Fund type	Supportive votes	Total votes	% of support
Corporate	42	136	31
Industry	357	793	45
Public sector	114	224	51
Retail	55	241	23

Finding 38

In 2020, members or signatories of ACSI, AAOSC, PRI and RIAA were more supportive of social proposals than non-members while non-FSC members and non-IGCC members were more supportive of social proposals than FSC and IGCC members (Table 51).

TABLE 51. SUPPORT FOR SOCIAL PROPOSALS, BY MEMBERSHIP OF INDUSTRY ASSOCIATION, 2020

Industry association	% of member support	% of non-member support
ACSI	41	24
FSC	23	39
IGCC	36	38
PRI	40	30
RIAA	40	29
AAOSC	47	29

4.9 OTHER FINDINGS

4.9A MAJORITY SUPPORT

Finding 39

16 funds voted against proposals that were supported by the majority of shareholders (Table 52). Of the 273 shareholder proposals in Australia, Canada, the UK, the US and Norway in 2020, 23 shareholder proposals were supported by more than 50% of shareholders. In 13 instances, Australian funds voted against these proposals, putting them in the minority. Of particular note, Russell Investments voted against the proposal with the highest level of support, at Genuine Parts (79.08%). Funds which voted against one or more of the majority-supported proposals included: Russell Investments, Sunsuper, BT Financial Group, Telstra Super, AustralianSuper and Australia Post Superannuation Scheme.

TABLE 52. FUNDS THAT FAILED TO SUPPORT PROPOSALS THAT WERE SUPPORTED BY MORE THAN 50% OF SHAREHOLDERS

Company – Proposal (Support %)	Funds
Activision Blizzard (US) – Review/Report on Election Spending (58.56%)	Russell Investments
Boeing (US) – Review/Report on Lobbying Activities (52.85%)	MTAA Super
	Russell Investments
	equisuper
Centene (US) – Review/Report on Election Spending (51.35%)	Russell Investments
	Sunsuper
Chipotle Mexican Grill (US) – Report on Arbitration of Employment- Related Claims	BT Financial Group
	PostSuper
	Sunsuper
	Telstra Super
Expeditors International of Washington (US) – Report on Board Diversity (52.87%)	Aware Super
	PostSuper
	Sunsuper
Genuine Parts (US) – Report on Human Capital Management (79.08%)	Telstra Super
	Russell Investments
	AustralianSuper
IA Financial Corp (CA) – Environment Impact Report (60.69%)	BT Financial Group
	HOSTPlus
	Russell Investments
J.B. Hunt Transport Services (US) – Transition Plan Report (54.59%) Review/Report on Election Spending (53.15%)	BT Financial Group
McKesson (US) – Review/Report on Lobbying Activities (52.06%)	HESTA
	Sunsuper
Phillips 66 (US) – Transition Plan Report (54.7%)	Russell Investments
	AustralianSuper
	CareSuper
	Cbus
	Local Government Super
Woodside (AU) – Carbon Risk (50.16%)	Mercer
	MLC
	Russell Investments
	Sunsuper

4.9B HUMAN CAPITAL MANAGEMENT

In workplaces around the world, the #MeToo movement has sparked a surge of sexual harassment and assault allegations, bringing the way in which companies deal with these human capital management issues to the forefront of the conversation. In the US, the spotlight has focused on companies' use of agreements requiring employees to pursue employment-related claims through arbitration. Mandatory arbitration precludes employees from suing in court for misconduct such as wage theft, discrimination and sexual harassment, and requires them to submit to private arbitration. Private arbitration is considered cheaper and more efficient than traditional litigation; employees are less likely to win in arbitration, and when they do, are awarded much less.⁷⁴

In 2020, employment-related mandatory arbitration proposals, including supporting statement language emphasising concerns regarding claims of workplace sexual harassment were put to Tesla, Chipotle Mexican Grill and Alphabet.

Additionally, consistent with 2019, issues relating explicitly to sexual harassment represented a significant proportion of human capital management proposals in 2020. Walmart and XPO Logistics faced repeat proposals while proposals at Comcast and Delta Air Lines were lodged in response to highly publicised cases of alleged sexual harassment. According to the resolution submitted to Delta Air Lines by the Service Employees International Union, "nearly 70% of flight attendants have been sexually harassed while at work."⁷⁵

Finding 40

Three proposals requested companies to report on arbitration of employment-related claims in relation to workplace misconduct, such as wage theft, discrimination and sexual harassment. A further four proposals related explicitly to sexual harassment were also filed in 2020 (Table 53). Cbus was the only fund that consistently voted in favour of all seven resolutions. HESTA voted in favour of all four sexual harassment-related proposals, and AustralianSuper and Mercer voted in favour of mandatory arbitration proposals. Despite gaining majority support (51%), the proposal at Chipotle Mexican Grill was only supported by eight Australian super funds (AustralianSuper, Cbus, HESTA, HOSTPlus, Mercer, Mine Super, Qantas Super and Russell Investments).

TABLE 53. FUNDS THAT SUPPORTED PROPOSALS ON REVIEWING/REPORTING ON SEXUAL HARASSMENT, 2020

Company – Proposal (Support %)	Funds	
Comcast (US) – Review/Report on Sexual Harassment Policy (13.11%)	Russell Investments	Local Government Super
	Cbus	Mercer
	Energy Super	AustralianSuper
	HESTA	Vision Super
	HOSTPlus	
Delta Air Lines (US) – Review/Report on Sexual Harassment Policy (32.3%)	Cbus	REST
	HESTA	Sunsuper
Walmart (US) – Review/Report on Sexual Harassment Policy (13.2%)	Cbus	Qantas
	equisuper	REST
	HESTA	Sunsuper
XPO Logistics – Review/Report on Sexual Harassment Policy (19.3%)	Mercer	Vision Super
	Cbus	Mercer
Chipotle Mexican Grill (US) – Report on Arbitration of Employment-Related Claims (51.0%)	HESTA	
	AustralianSuper	Mercer
	Cbus	Mine Super
	HOSTPlus	Russell Investments
Tesla Motors (US) – Report on Arbitration of Employment-Related Claims (26.8%)	AustralianSuper	HOSTPlus
	Aware Super	Mercer
	CareSuper	Sunsuper
	Cbus	UniSuper
	equisuper	Vision Super
Alphabet (US) – Report on Arbitration of Employment-Related Claims (16.1%)	AustralianSuper	HESTA
	BT Financial Group	Local Government Super
	CareSuper	Mercer
	Cbus	NGS Super
	equisuper	Qantas Super

⁷⁴ Economic Policy Institute, "Mandatory arbitration unfairly tilts the legal system in favor of corporations and employers," 28 Jan 2016, <https://www.epi.org/publication/mandatory-arbitration-unfairly-tilts-the-legal-system/>

⁷⁵ Delta Air Lines, "United States Security and Exchange Commission, Schedule 14A, Definitive Proxy Statement," 29 April 2020, p. 67, https://www.sec.gov/Archives/edgar/data/27904/000130817920000240/1dal2020_def14a.htm#5241281637716241:1130649

Super Votes: How Australia’s Largest Superannuation Funds Voted on ESG Resolutions in 2020

4.9C GENDER PAY EQUITY PROPOSALS

Finding 41

There was no correlation between the gender makeup of a funds’ membership, and the voting behaviour of that fund on gender pay equity proposals. Between 2017 and 2020 there were 56 shareholder proposals seeking

greater disclosure on gender pay equity at 30 companies. All companies were in Canada or the US – however 20 of these companies have subsidiaries in Australia, including manufacturing company 3M; financial and IT multinationals Bank of America, Citigroup, JPMorgan Chase, Alphabet, Facebook, Adobe, Intel; pharmaceutical company Pfizer and oil

and gas company ExxonMobil. The super funds in which women form the majority of membership – HESTA (80%), NGS Super (71%) and Aware Super (65%) – supported 57%, 55% and 22% of these proposals respectively. In contrast, Cbus, who has only 9% female membership, supported 81% of gender pay equity proposals (Table 54).

TABLE 54. FUNDS’ SUPPORT FOR PROPOSALS ON GENDER PAY EQUITY, 2017–2020 (MINIMUM 10 VOTES)

Fund	% of female members	Supportive votes	Total votes	% of support
Local Government Super	45%	42	49	86%
Cbus	9%	43	53	81%
Vision Super	56%	42	52	81%
Macquarie	47%	15	21	71%
AustralianSuper	40%	33	47	70%
Mercer	40%	14	24	58%
HESTA	80%	30	53	57%
NGS Super	71%	12	22	55%
CareSuper	57%	17	33	52%
UniSuper	57%	18	37	49%
Qantas Super	41%	19	42	45%
Mine Super	18%	18	45	40%
Energy Super	18%	11	28	39%
equisuper	77%	9	24	38%
PostSuper	40%	14	49	29%
HOSTPlus	51%	14	49	29%
Telstra Super	40%	10	35	29%
REST	60%	8	29	28%
Sunsuper	43%	9	38	24%
Aware Super	65%	11	50	22%
BT Financial Group	45%	5	38	13%
Russell Investments	ND	2	19	11%

4.9D TROJAN HORSE PROPOSALS

There is a growing trend of shareholder proposals being filed in the United States that seek to undermine the ESG themes they claim to promote. “Trojan horse” or “antisocial” shareholder proposals imitate the shareholder proposals commonly lodged by

progressive investors. Proponents of trojan horse proposals are critical of companies’ progressive efforts with respect to ESG issues and as such, aim to derail those efforts. Historically, these proposals have received minimal shareholder support, often between 0.5–3%, however in recent years, they have been gaining more support. In

2018 and 2019, two trojan horse proposals received more than 21% support and in 2020, a further two proposals received more than 28% shareholder support. While this type of shareholder proposal only makes up 6% of the shareholder resolutions put to US companies in 2020, the increasing level of support year-on-year is of concern.

Super Votes: How Australia's Largest Superannuation Funds Voted on ESG Resolutions in 2020

ACCR recorded 11 trojan horse proposals in 2020 that went to a vote at US-listed companies. Nine of the 11 trojan horse proposals were submitted by the National Center for Public Policy Research (NCPPr), a self-described conservative think tank in the US. The remaining two proposals were lodged by Steven Milloy, an ex-tobacco lobbyist, Fox News commentator and co-founder of Burn More Coal, an activist shareholder group established to prevent the closure of coal-fired power plants.

Four proposals submitted by NCPPr targeted Equal Employment Opportunity

(EEO) policy risks, arguing that individuals with conservative viewpoints may face discrimination. These resolutions were put to Netflix (0.7% support), Starbucks (1.5%), Twitter (1.6%) and Amazon (15.1%).

A further four proposals lodged by NCPPr asked for companies to disclose their Board's "ideological perspectives" as a measure of diversity in assessing board metrics. This proposal went to Eli Lilly (1.03%), Deere (1.1%), Costco Wholesale (1.44%) and Boeing (32.5%). Glass Lewis suggests that the results at Boeing highlight "ongoing governance

and operational problems"⁷⁶ and a "general lack of understanding or awareness on the part [of] shareholders as to the intentions and aims of the NCPPr".⁷⁷ This is also likely the case for the pro-lobbying proposal that went to Chevron, which received 28.6% shareholder support. The proposal, also submitted by NCPPr, suggested that Chevron "should be proud" of its trade associations, and encouraged Chevron to disclose the benefits of "involvement with groups that advocate for smaller government, lower taxes and free-market reforms."⁷⁸

In a 2020 Investor Value Guide, NCPPr's Free Enterprise Project ("FEP") stated:

Under SEC regulations, a corporation may exclude any resolution from its proxy materials that is substantially similar to one it has already received. The regulation makes sense: It prevents shareholders from having to vote more than once on the same proposal when multiple shareholders – unwittingly – ask for the same thing. We knew with a high degree of certainty that [As You Sow ("AYS")] would target Chevron with one of its sham proposals attacking its membership in certain trade associations. So we filed a proposal – and did it early – that mirrored the same operative language that AYS normally uses, but we completely reversed the rationale. Rather than attacking Chevron's business relationships, we implored the company to stand up against AYS and to extol the virtues of working with groups such as the Chamber and [American Legislative Exchange Council ("ALEC")]....FEP will continue its efforts to block AYS proposals that target legitimate pro-business organizations during 2020 and beyond.⁷⁹

Past resolutions put to Chevron to review and report on its lobbying-behaviour have garnered similar levels of support from shareholders (29.2% in 2017, and 31.5% in 2018), so it is no surprise that a resolution deliberately made to imitate these proposals also garnered a similar level of shareholder support. This highlights the need for investors to interrogate the integrity and quality of the research and arguments presented in shareholder resolutions, along with the credibility of the filers and co-filers.

The two proposals submitted by Steven Milloy requesting ExxonMobil and Xcel Energy to disclose a "greenwashing audit" were not as successful, gaining 4.1% and 3.3% shareholder support respectively. In the resolution statement to ExxonMobil, Milloy claimed that "insincere 'green' posturing and associated touting of hypothetical or imaginary benefits to public health and the environment may harm shareholders by wasting corporate assets, and deceiving shareholders and the public by accomplishing nothing

real and significant for the public health and environment."⁸⁰

Finding 42

One super fund, Vision Super, voted in favour of the trojan horse proposal at ExxonMobil. A further seven funds (Aware Super, BT Financial Group, Equisuper, HESTA, Mercer, Qantas Super and Vision Super) voted in favour of the trojan horse proposal put to Chevron. None of the funds analysed in this report voted in favour of the remaining nine trojan horse proposals (Table 55).

⁷⁶ Glass Lewis, "2020 Proxy Season Review", Sept 2020, p. 35, <https://www.glasslewis.com/wp-content/uploads/2020/09/2020-Proxy-Season-Review-Shareholder-Proposals.pdf>

⁷⁷ Ibid.

⁷⁸ Chevron, "United States Security and Exchange Commission, Schedule 14A, Definitive Proxy Statement," 7 April 2020, p. 74, https://www.sec.gov/Archives/edgar/data/93410/000119312520100407/d838093ddef14a.htm#toc838093_61

⁷⁹ Free Enterprise Project, "Investor Value Guide 2020," National Center for Public Policy Research, April 2020, p. 40, <https://nationalcenter.org/investor-value-voter-guide-2020/>

⁸⁰ Exxon Mobil Corporation, "United States Security and Exchange Commission, Schedule 14A, Definitive Proxy Statement," 9 April 2020, p. 62, https://www.sec.gov/Archives/edgar/data/34088/000119312520102226/d869473ddef14a.htm#toc869473_20

**Super Votes: How Australia’s Largest Superannuation Funds
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TABLE 55. FUNDS THAT SUPPORTED TROJAN HORSE PROPOSALS, 2020

Company – Proposal (Support %)	Proponent	Funds
ExxonMobil (US) – Cost-Benefit Report on Environmental Programs (4.1%)	Steven Milloy	Vision Super
Xcel Energy (US) – Cost-Benefit Report on Environmental Programs (3.3%)	Steven Milloy	None
Chevron (US) – Report on the Benefits of Lobbying	NCPPR	Aware Super
		BT Financial Group
		equipsuper
		HESTA
		Mercer
		Qantas
Boeing (US) – Board Ideological Diversity (32.5%)	NCPPR	None
Eli Lilly (US) – Board Ideological Diversity (1.0%)	NCPPR	None
Deere (US) – Board Ideological Diversity (1.1%)	NCPPR	None
Costco Wholesale (US) – Board Ideological Diversity (1.4%)	NCPPR	None
Amazon (US) – EEO Policy Risk and Viewpoint Discrimination (15.1%)	NCPPR	None
Twitter (US) – EEO Policy Risk and Viewpoint Discrimination (1.6%)	NCPPR	None
Starbucks (US) – EEO Policy Risk and Viewpoint Discrimination (1.5%)	NCPPR	None

Appendix A

1. Funds that disclosed a summary of their proxy record in 2020: ACSRf, Commonwealth Super Corporation, LUCRF Super, QSuper, Statewide Super, Suncorp Super.
2. Funds that did not disclose a proxy voting record in 2020: Macquarie Group, AON, Energy Industries Super, HUB24 Super, LGIASuper, Maritime Super, Netwealth Super, Perpetual Superannuation.

Appendix B

Total funds disclosing aggregate statistics = 27

Fund	Period	Total meetings	Total votes	Jurisdiction	With mgmt	Remuneration	Directors	SHP	Source and notes
Commonwealth Super Corp	2020	246	1386	Australia	ND	95-96%	95-96%	ND	Proxy Voting Report, Jan-Jun 2020
		2092	27456	International	ND	81-83%	83-78%	35-36%	Proxy Voting Report, Jul-Dec 2020
AustralianSuper	2019-2020	ND	27000	All	ND	93.0%	ND	48.0%	Annual Report 2020, p. 33 Notes: Remuneration is ASX only
Aware Super	2019-2020	278	1860	Australia	86.0%	ND	ND	ND	Annual Report 2020, p. 12
		2425	28614	International	64.0%	ND	ND	ND	
QSuper	2019-2020	203	1148	Australia	ND	87.4%	90.3%	ND	QSuper website
		2261	27951	International	ND	86.9%	87.2%	ND	
AMP	2020	257	1477	Australia (internal)	90.1%	88.0%	95.0%	47.5%	ESG Investment Stewardship Report
		30	357	International (internal)	90.5%	ND	ND	ND	
Colonial First State	-	ND	ND	ND	ND	ND	ND	ND	-
CommBank Group Super	2019-2020	240	1353	Australia	90.5%	ND	ND	ND	Proxy Voting Reports
BT Financial Group	2020	11759	124000	International only	ND	87.0%	67.0%	70.0%	Hermes EOS Annual Engagement Report, p. 44 Notes: Totals likely Hermes rather than BT
UniSuper	2020	ND	1767	Australia	ND	85.3%	93.9%	6.8%	Responsible Investment Report, Jan-Jun 2020
		2502	28221	International	ND	84.5%	90.4%	42.0%	Responsible Investment Report, Jul-Dec 2020
Energy Super	2019-2020	772	10105	All	91.0%	ND	ND	ND	Energy Super website
Mine Super	-	ND	ND	ND	ND	ND	ND	ND	-

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Fund	Period	Total meetings	Total votes	Jurisdiction	With mgmt	Remuneration	Directors	SHP	Source and notes
HESTA	2020	2962	33721	International only	86.6%	ND	ND	ND	Hermes EOS Share Voting Report, H1 2020 Hermes EOS Share Voting Report, H2 2020
Cbus	2019-2020	ND	2206	Australia	87.0%	86.0%	90.6%	ND	Responsible Investment Supplement, pp. 11-12
		ND	31694	International	84.0%	85.5%	83.4%	58%	
HOSTPlus	2019-2020	2400	79000	All	ND	ND	ND	ND	Annual Report 2020, p. 26 Notes: Voted against more than 1150 resolutions (total not disclosed)
ANZ OnePath	2019-2020	ND	ND	All	89.0%	ND	ND	ND	Proxy Voting Summary
IOOF	2019-2020	ND	2410	Australia only	13.0%	ND	ND	ND	Proxy Voting Record Notes: 86% abstain
Mercer	-	ND	ND	ND	ND	ND	ND	ND	-
CareSuper	2019-2020	1120	ND	ND	ND	ND	ND	ND	Annual Report 2020, p. 26
Macquarie	-	ND	ND	ND	ND	ND	ND	ND	-
MLC	-	ND	ND	ND	ND	ND	ND	ND	-
equisuper	-	ND	ND	ND	ND	ND	ND	ND	-
Vision Super	2019-2020	ND	1505	Australia	83.9%	80.0%	90.3%	64.3%	Voting Statistics (Australia) Voting Statistics (International) Notes: All compensation rather than just remuneration
		ND	8471	International	83.5%	85.0%	89.2%	70.7%	
LGIAsuper	-	ND	ND	ND	ND	ND	ND	ND	-
Local Government Super	2020	146	823	Australia	88.0%	86.0%	90.7%	ND	Proxy Voting and Engagement Report 2020 Notes: All compensation rather than just remuneration
		97	1086	International	89.0%	89.0%	90.3%	50.5%	
NGS Super	-	ND	ND	ND	ND	ND	ND	ND	-

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Fund	Period	Total meetings	Total votes	Jurisdiction	With mgmt	Remuneration	Directors	SHP	Source and notes
MTAA Super	-	ND	ND	ND	ND	ND	ND	ND	-
Netwealth Super	-	ND	ND	ND	ND	ND	ND	ND	-
REST	-	ND	ND	ND	ND	ND	ND	ND	-
Tasplan Super	-	ND	ND	ND	ND	ND	ND	ND	-
Sunsuper	2019-2020	47065	4076	All	ND	ND	ND	44%	Annual Report 2020, p. 31 Notes: Voted against 43 remuneration reports and executive grants in Australia; ESG is climate change resolutions only
Catholic Super	-	ND	ND	ND	ND	ND	ND	ND	-
Statewide Super	2020	ND	21607	All	89.4%	ND	ND	ND	Statewide Super website Notes: With management % assumes no shareholder proposals
ACSRF	2019-2020	263	1532	Australia	89.6%	ND	ND	ND	Catholic Super website Notes: With management % assumes no shareholder proposals
		2818	33694	International	78.9%	ND	ND	ND	
Russell Investments	2020	386	1968	Oceania	89.0%	ND	ND	ND	Proxy and Engagement Report 2020, p. 7
		9547	94598	All	88.6%	77.1%	89.8%	ND	
Qantas Super	-	ND	ND	ND	ND	ND	ND	ND	
Telstra Super	2020	ND	23635	ND	91.0%	ND	ND	ND	Telstra Super website
HUB24 Super Fund	-	ND	ND	ND	ND	ND	ND	ND	-
PostSuper	-	ND	ND	ND	ND	ND	ND	ND	-

Super Votes: How Australia's Largest Superannuation Funds
Voted on ESG Resolutions in 2020

Fund	Period	Total meetings	Total votes	Jurisdiction	With mgmt	Remuneration	Directors	SHP	Source and notes
LUCRF	2020	250	1285	Australia	88.4%	88.5%	90.7%	15.2%	Voting Record, ending 30 Jun 2020
		1528	20535	International	90.1%	83.3%	93.1%	54.8%	Voting Record, ending 31 Dec 2020 Notes: SHP includes compensation
Suncorp	2019-2020	207	156	Australia	91.2%	ND	ND	26.2%	Proxy Voting Report 2019-2020
		129	1610	International	91.0%	ND	ND	45.2%	Notes: Discloses votes on board and compensation as a % of total against
Media Super	2019-2020	99	2067	International	84.7%	ND	ND	10.3%	Proxy Voting Reports Notes: One manager only - IFM, others not disclosed
Energy Industries Super	-	ND	ND	ND	ND	ND	ND	ND	-
TWU Super	2019-2020	ND	ND	Australia	79.0%	ND	ND	ND	Annual Report 2020, p. 2
ANZ Staff Super	-	ND	ND	ND	ND	ND	ND	ND	-
Maritime Super	-	ND	ND	ND	ND	ND	ND	ND	- Notes: Did not vote
Prime Super	-	ND	ND	ND	ND	ND	ND	ND	-
BUSSQ	2020	ND	1130	Australia	92.0%	ND	ND	ND	BUSSQ website
AON	-	ND	ND	ND	ND	ND	ND	ND	-
Perpetual	-	ND	ND	ND	ND	ND	ND	ND	-
Legalsuper	-	ND	ND	ND	ND	ND	ND	ND	-

Abbreviations

AAOSC	Australian Asset Owners Stewardship Code
ACSI	Australian Council of Superannuation Investors
APRA	Australian Prudential Regulatory Authority
ASIC	Australian Securities and Investments Commission
AUM	Assets Under Management
ESG	Environmental, Social and Governance
FSC	Financial Services Council
IGCC	Investor Group on Climate Change
PRI	Principles for Responsible Investment
RIAA	Responsible Investment Association of Australia