Vote Like You Mean It

A study of the proxy voting records of Australia's largest super funds in 2018

AUSTRALASIAN CENTRE FOR CORPORATE RESPONSIBILITY

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ABOUT ACCR

The Australasian Centre for Corporate Responsibility (ACCR) is a not-for-profit association that promotes responsible investment through undertaking and publishing research to evaluate and improve the performance of Australian listed companies on environmental, social and governance (ESG) issues.

We have a small portfolio of shares that we hold for the purpose of engaging with listed companies, including through the filing of shareholder proposals.

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EXECUTIVE SUMMARY

The Australasian Centre for Corporate Responsibility (ACCR) has analysed the proxy voting records of Australia's 50 largest superannuation funds in 2018, on 260 shareholder proposals on environmental, social and governance (ESG) issues in Australia, Canada, Japan, Norway, the United Kingdom and the United States (US).

This analysis highlights two critical issues. Firstly, the majority of these funds are failing to disclose, complete or even partially complete proxy voting records. Disclosure of international proxy voting records is particularly poor. Secondly, the majority of these funds are failing to support a majority of shareholder proposals on ESG issues, although there is a small and growing cohort of funds that consistently support such proposals. Overall, there is a vast difference between the leading funds and the laggards in both disclosure and voting behaviour.

KEY FINDINGS

- Just 11 of the 50 largest funds disclose a complete proxy voting record, including both Australian and international shares (these funds were responsible for 22% of APRA-regulated assets under management);
- Just three funds supported more than 75% of the shareholder proposals on ESG issues that they voted on globally in 2018: Local Government Super (91%), Vision Super (88%) and Cbus (77%);
- A further six funds supported more than 50% of the shareholder proposals on ESG issues that they voted on globally in 2018: AustralianSuper (63%), VicSuper (60%), UniSuper (59%), HESTA (56%), Mercer (52%) and Tasplan Super (50%);
- There was no clear correlation between support for shareholder proposals on ESG issues and fund size; the most supportive funds manage between $10 billion and $50 billion in assets;
- Public sector funds - including Local Government Super, VicSuper and Vision Super - were more likely than other types of funds to support shareholder proposals on ESG issues in 2018;
- Members of investor industry associations ACSI, IGCC, PRI and RIAA were more likely to support shareholder proposals on ESG issues in 2018 than non-members;
- Just five funds supported 50% or more of the shareholder proposals on ESG issues at Australian-listed companies that they voted on in 2018;
- Just ten funds supported 50% or more of the shareholder proposals on ESG issues at US-listed companies that they voted on in 2018;
- Thirteen funds supported a significantly lower proportion of the shareholder proposals on ESG issues at Australian-listed companies than the proportion of proposals they supported at US-listed companies in 2018;
- Just eight funds supported 50% or more of the climate-related shareholder proposals that they voted on in 2018;

- Five funds significantly increased their support for climate-related shareholder proposals that they voted on between 2017 and 2018: Cbus (11% to 84%), VicSuper (10% to 81%), AustralianSuper (41% to 73%), Macquarie (0% to 55%), HOSTPlus (0% to 27%).
- Thirteen funds supported 50% or more of the lobbying-related shareholder proposals that they voted on in 2018.

RECOMMENDATIONS

1. All funds should disclose their entire proxy voting record, for every proposal at every company meeting.
2. Funds that delegate proxy voting to fund managers should disclose the proxy voting record of those fund managers.
3. Disclosures should be made accessible and easy to locate on a fund's website.
4. Funds describing themselves as “active owners” must demonstrate such claims through disclosure and justification of their proxy voting record.
5. Funds should align their ESG/responsible investment policies with their voting behaviours.
6. Funds should employ similar approaches to thematic voting across jurisdictions: if the fund supports a type of proposal in one country (e.g. climate risk disclosure), it should support similar proposals in all countries unless a clear justification is given.
7. Australian funds should consider filing or co-filing shareholder proposals in Australia, given the limitations of the tools available to investors to escalate issues within companies.

THE AUSTRALIAN SUPERANNUATION INDUSTRY

Australian superannuation assets totalled $2.7 trillion at the end of the December 2018 quarter[1]. As at 30 June 2018, the 50 largest Australian super funds were responsible for managing $1.74 trillion, accounting for approximately 95.8% of APRA-regulated funds[2] (as at June 2018), and approximately 62.6% of all superannuation assets[3]:

Fund type	30 Jun 2018 ($B)	31 Dec 2018 ($B)
Corporate	56.1	54.3
Industry	631.4	629.6
Public sector	462.1	461.5
Retail	622.5	589.0
Total APRA-regulated funds	**1,774.2**	**1,736.5**
SMSFs	746.9	726.5
Total	**2,715.2**	**2,653.2**

NB: Minor types excluded, so totals do not reconcile

[1] Australian Prudential Regulation Authority (APRA), Quarterly Superannuation Performance Statistics, 26 February 2019.

[2] Super funds regulated by APRA are typically large funds with hundreds or thousands of members; excludes self-managed super funds (SMSFs).

[3] ibid.

As at 31 December 2018, 49.4% of APRA-regulated funds were invested in equities, with 23.4% in international listed equities, 21.7% in Australian listed equities and 4.2% in unlisted equities[4]. Fixed income and cash investments accounted for 32.3% of investments, property and infrastructure accounted for 14.4% of investments, and 3.9% were invested in other assets[5].

WHAT IS PROXY VOTING?

Shareholders in listed companies are entitled to vote on proposals or resolutions put to company meetings. Typically, such proposals are considered at a company's annual general meeting, but proposals may also be voted upon at extraordinary general meetings/proxy contests.

The vast majority of management proposals voted upon at company meetings relate to the general business of the company, the election or re-election of company directors, and proposed amendments to the company's constitution (for instance provisions pertaining to takeovers, issuance of shares, company name changes, and so on). In some jurisdictions, specific types of resolutions are mandatory. These include votes on remuneration reports in Australia, and the ability for a company to make political contributions in the United Kingdom.

Shareholder proposals typically relate to environmental, social or governance (ESG) issues. Environmental and social issues commonly refer to concerns or requests for further information about the conduct of the company in a specific location or in relation to a specific issue such as climate change or the treatment of workers. Shareholder proposals on governance issues may seek the election of an outside director, or the appointment of an independent chairperson, for instance.

In a company's notice of meeting, the company board will make a recommendation to shareholders on how to vote on each resolution, with an explanation of the issue and the rationale for the recommendation. Support for proposals varies between jurisdictions, year to year, and between institutions. Institutional Shareholder Services (ISS), for example, recommended voting against management on approximately 11% of ASX300 proposals in 2018[6].

Shareholder proposals rarely receive the support of management/boards; lack of board support has thus far proven an insurmountable barrier for the achievement of majority support at Australian-listed companies. In those cases where a board recommends support for a shareholder proposal, they have received near-unanimous support (e.g. the 'Aiming for A' proposals at BP, Rio Tinto and Shell in 2015-16). Note majority voting support is not a prerequisite for a board to take

[4] ibid.

[5] ibid.

[6] https://www.minterellison.com/articles/summary-of-iss-report-on-australian-2018-agm-season.

action in response to shareholder concerns. Few boards will fail to heed the views of 15 to 20% of their shareholders.

THE ROLE OF PROXY ADVISERS

Proxy advisers are independent firms that provide advice to shareholders on all proposals for consideration at a company meeting, including shareholder proposals. The proxy advice industry is dominated globally by two firms: CGI Glass Lewis and ISS. In some jurisdictions, smaller firms and investor associations will also provide proxy advice. In Australia, this includes the Australian Council of Superannuation Investors (ACSI) and Ownership Matters.

Proxy advisers determine voting recommendations based on: their own policy principles, the custom-voting principles the client sets in their own policy or the voting 'style' option the client has chosen and any information they have gathered through their direct engagement with companies. In the case of shareholder proposals, advisers will also engage with whichever individual or group has filed the proposal.

Even if a shareholder proposal is seeking improved disclosure from a company that is consistent with the adviser's principles, advisers may not necessarily recommend voting for the proposal. If the company has made a commitment to improve or report on the issue, or the proposal is novel, directive, onerous or ambiguous, advisers will generally recommend voting against the shareholder proposal.

Generally, proxy advisers' recommendations, and the explanations given for making those recommendations, are not made public. For this reason, companies have often been critical of the role of proxy advisers, and in some cases have sought to limit their power[7].

While proxy advisers' voting recommendations are not made public, data providers such as UK-based Proxy Insight 'synthesise' their voting recommendations based on how the majority of their investor clients vote. These estimations are, however, complicated by the fact that some investors will receive advice from multiple advisers, as well as the fact that investors will not always vote in accordance with the advice they have received from proxy advisers.

WHY PROXY VOTING MATTERS

The opportunity for shareholders to vote on proposals at company meetings is, in theory, a form of 'democracy' within a company. In most companies, shareholders have equal voting rights, thus allowing the entire spectrum of investor views to be represented. While there is a clear difference

[7] https://www.ft.com/content/0fd4e07d-35c9-31bd-ad94-882c716120bf

between insiders, institutional investors and retail shareholders, shareholder rights across investor categories in most developed jurisdictions are equal.

In Australia, a little more than half of the market capitalisation of listed equities is controlled by institutional investors (domestic and foreign), super funds account for approximately 27%, while households (outside of super) account for approximately 12%[8]. For example, Australia's largest company by market capitalisation, the Commonwealth Bank of Australia (CBA), had 809,805 shareholders with fewer than 1,000 shares as at 30 July 2018, but they accounted for less than 11% of the market capitalisation[9].

In jurisdictions like Australia, where shareholder proposals are relatively uncommon and shareholder proposals led by institutional investors are almost unheard of, institutional investors rely largely on private engagement to seek change within a company. While institutional investors and groups of retail shareholders like the Australian Shareholders' Association do enjoy private access to senior executives and/or chairpersons of companies, such engagement has its limitations. In Australia, when a company is performing poorly, or failing to meet investor expectations, there are limited tools available to investors to escalate issues. Other than shareholder proposals, investors may vote against directors or against the remuneration report. In Australia, directors are re-elected only every three years, further limiting the effectiveness of voting against directors.

SHAREHOLDER PROPOSALS IN AUSTRALIA

In recent years in Australia, the number of shareholder proposals[10] filed with Australian companies has steadily increased[11]. Most proposals in recent years have been filed by civil society organisations, such as the Australasian Centre for Corporate Responsibility (ACCR) and Market Forces. In some cases, institutional investors have co-filed proposals, namely at QBE Insurance Group, Rio Tinto and Woolworths Group in 2018[12].

In Australia, shareholders filed 17 proposals in 2018, including seven special proposals seeking changes to company constitutions (which are, under the accepted interpretation of Australian corporations law, currently a precondition for the filing of an ordinary proposal), and 10

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[8] https://www.abc.net.au/news/2017-10-07/australian-share-ownership/9023930

[9] Commonwealth Bank of Australia, Annual Report 2018

[10] For clarity (because they are usually advisory), we have used the term 'proposal' rather than 'resolution' throughout this report

[11] https://accr.org.au/shareholder-action/resolution-voting-history/

[12] https://www.lgsuper.com.au/blog/taking-action-holding-companies-to-account-for-a-better-future/

substantive proposals. In the United States, shareholders filed 460 proposals on environmental and social issues in 2018, down slightly from the record 494 proposals in 2017[13].

According to As You Sow, given the increasing focus of both investors and the broader community on climate change, shareholder proposals related to the disclosure of climate risk and requests of companies to set emissions targets have become far more frequent and have received increasing support from shareholders in recent years[14].

In the US, at least 12 shareholder proposals passed with majority support in 2018, including requests for 2°C scenario analysis at energy companies Anadarko Petroleum (APC) and Kinder Morgan (KMI). In Australia in 2018, ACCR's shareholder proposal related to adverse climate lobbying at Origin Energy (ORG) received 46% support, while Market Forces' shareholder proposal related to climate risk disclosure at Whitehaven Coal (WHC) received 40% support.

PROXY VOTING DISCLOSURE IN AUSTRALIA

Proxy voting disclosure by US mutual funds has been mandatory since 2004. However, there is no regulatory equivalent mandating disclosure by Australian super funds.

Australian APRA-regulated super funds are required to disclose on their website a proxy voting policy and a summary of their proxy voting behaviour[15]. 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".

In July 2017, the Australian Securities and Investments Commission (ASIC) intervened in relation to 21 superannuation trustees, to improve 'Transparency Information' on their websites[16]. 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[17]. Commenting on the importance of super funds providing adequate information on their voting

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[13] As You Sow, Proxy Preview 2019

[14] Ibid.

[15] Superannuation Industry (Supervision) Regulations 1994 s29QB and related regulations 2.37 and 2.38

[16] https://asic.gov.au/about-asic/news-centre/find-a-media-release/2017-releases/17-222mr-asic-acts-to-improve-transparency-of-super-websites/

[17] https://asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-252-keeping-superannuation-websites-up-to-date/

records, ASIC Deputy Chairman Peter Kell has noted that due to the economic significance of superannuation in Australia, this information should be properly disclosed not only for the benefit of super fund members, as well as 'gatekeepers' of the super fund industry including advisers, analysts, and the media[18].

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 year. Many instead choose to disclose aggregated voting behaviour only, 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 39 asset owners and other institutional investors responsible for managing over $2.2 trillion in assets[19]. While ACSI states that "ESG performance is financially material" and that the exercise of ownership rights "can materially improve investment outcomes"[20], ACSI members are not required as a condition of membership to disclose their proxy voting records. In May 2018, ACSI published the Australian Asset Owner Stewardship Code[21], to which nine ACSI members have committed to date. Principle 2 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 be disclosed.

The Financial Services Council (FSC) is a peak body that sets standards and policies for over 100 members in the financial services sector[22]. Many retail super funds are members of the FSC, and they are obliged to comply with its standards. Standard 13 'Voting Policy, Voting Record and Disclosure'[23] requires members who operate investment schemes to have and make available to members a voting policy and to publish annually, within 3 months after the end of the relevant financial year, a voting record. Paragraph 9.7 of Standard 13 clearly states the details that should

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[18] https://asic.gov.au/about-asic/news-centre/find-a-media-release/2017-releases/17-222mr-asic-acts-to-improve-transparency-of-super-websites/

[19] https://www.acsi.org.au/section-heading/about-us.html

[20] ibid.

[21] https://www.acsi.org.au/images/stories/ACSIDocuments/Stewardship_code/AAOSC_-_Final.pdf

[22] https://www.fsc.org.au/about

[23] https://www.fsc.org.au/resources/standards

be included in a voting record, including the company name, a description of the proposal and how the member voted[24].

The Investor Group on Climate Change (IGCC) is a group of approximately 70 institutional investors and other parties concerned about the impact of climate change on their investments[25]. Within IGCC member's statement of commitment is a requirement to demonstrate "progress incorporating the risks and opportunities associated with climate change into investment decisions... and into business operations"[26]. To the best of our knowledge, IGCC does not however require members to disclose their proxy voting records.

The Principles for Responsible Investment is a global initiative that supports members to incorporate ESG into their investment and ownership decisions[27]. Principle 2 requires signatories to be "active owners", including "engagement with companies and exercise of voting rights"[28]. The PRI does not require signatories to disclose their proxy voting records.

The Responsible Investment Association Australasia (RIAA) is a group of 240 institutional investors and other financial services actors responsible for managing more than $9 trillion in assets[29]. RIAA's mission is to promote, advocate for, and support approaches to responsible investment[30]. In order to attain RIAA certification, super funds must implement "systematic corporate engagement activities and proxy voting"[31]. RIAA does not however require members to disclose their proxy voting records.

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[24] https://www.fsc.org.au/web-page-resources/fsc-standards/1518-13s-voting-policy-voting-record-and-disclosure-13

[25] https://igcc.org.au/who-are-we/

[26] https://igcc.org.au/joining-igcc/

[27] https://www.unpri.org/about-the-pri

[28] ibid.

[29] https://responsibleinvestment.org/about-us/

[30] ibid.

[31] https://responsibleinvestment.org/wp-content/uploads/2018/08/2-Program-Requirements-by-Category-Guide.pdf

METHODOLOGY

This study examined the publicly available voting records of 50 super funds on 260 shareholder proposals relating to ESG issues, across six jurisdictions. This study was conducted during March and April 2019.

The 50 largest super funds were included in this study as they account for 95.8% of assets under management (AUM) at APRA-regulated funds[32], and represent the vast majority of the sector. 21 of the 50 funds manage less than $10 billion.

Super funds included in the study (by AUM)[33]:

AUM	*# Funds*	*Total AUM $B*	*% APRA-regulated AUM*
>$50 billion	*11*	*1,141.3*	*64.3*
$20-50 billion	*8*	*272.9*	*15.4*
$10-20 billion	*10*	*139.9*	*7.9*
<$10 billion	*21*	*145.5*	*8.2*

Super funds included in the study (by fund type)[34]:

Fund type	**# Funds**	**Total AUM $B**	**% APRA-regulated AUM**
Corporate	4	46.5	2.6%
Industry	23	604.3	34.0%
Public sector	9	455.3	25.7%
Retail	14	593.6	33.5%

Proxy voting records of each fund were sourced from the funds' websites.

[32] Australian Prudential Regulation Authority (APRA), Annual fund-level superannuation statistics, Dec 2018.

[33] ibid.

[34] ibid.

Many retail funds – including AMP, BT Financial Group and Macquarie – disclose their proxy voting records by fund manager, rather than an aggregated voting record for the entire fund.

The study included 260 shareholder proposals on environmental, social and governance (ESG) issues. For brevity, 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 (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 included in the study sample. Shareholder proposals considered at extraordinary general meetings/proxy contests were excluded.

The study covered shareholder proposals on environmental and social issues filed with companies in Australia, Canada, Japan, Norway, the United Kingdom and the United States.

All known shareholder proposals relating to ESG issues (as per above) in the named jurisdictions in calendar year 2018 were included in the study sample.

In total, the voting records on 260 shareholder proposals filed with 156 companies in the above jurisdictions were examined.

Shareholder proposals by country:

Country	**# Companies**	**# Proposals**	**Average Vote For**
Australia	7	17	13.2%
Canada	9	10	26.0%
Japan	12	53	6.0%
Norway	1	2	0.3%
United Kingdom	1	2	5.5%
United States	126	176	25.5%
TOTAL	**156**	**260**	**20.4%**

Shareholder proposals by issue:

Issue	# Proposals	Average Vote For
Environment - Climate	49	24.3%
Environment - Other	60	13.8%
Governance - Lobbying	62	27.6%
Governance - Other	31	15.1%
Social	58	19.0%
TOTAL	**260**	**20.4%**

FINDINGS ON DISCLOSURE

Finding 1: Just 11 of the 50 largest super funds disclose a complete proxy voting record, including all Australian and international shareholdings.

- Just 11 of the 50 largest super funds disclose a complete proxy voting record, including all Australian and international shareholdings. These funds are responsible for managing $239 billion, or 22% of APRA-regulated AUM.
- 10 funds disclose an incomplete proxy voting record, including both Australian and international shareholdings; six of these funds disclose what appear to be complete international voting records, but numerous companies were excluded from these records despite being listed in the funds' disclosed shareholdings (see Appendix 1); four of these 10 funds clearly disclose only a limited international voting record - limited to just one fund manager, excluding specific countries, or limited to major holdings only (see Appendix 2).
- 12 funds disclose their proxy voting record on Australian shares only.
- Six funds disclose only a summary of their proxy voting record.
- 11 funds either do not vote, or do not disclose a proxy voting record.

Level of disclosure	# Funds	Total AUM $B	% APRA-regulated AUM
Complete	11	384.5	22%
Limited Aus + Int	10	418.6	24%
Aus Only	12	345.6	19%
Summary	6	376.4	21%
No disclosure	11	174.7	10%

Finding 2: There was no clear correlation between the disclosure of a complete proxy voting record and fund size. Funds managing between $20 billion and $50 billion were more likely to disclose a complete proxy voting record than both smaller and larger funds.

- One fund managing more than $50 billion discloses a complete proxy voting record.
- Five of eight funds managing between $20 billion and $50 billion disclose a complete proxy voting record.
- Three of 10 funds managing between $10 billion and $20 billion disclose a complete proxy voting record.
- Only two funds managing less than $10 billion disclose a complete proxy voting record.

AUM	# Funds with complete voting record	# Funds
> $50 billion	1	11
$20-50 billion	5	8
$10-20 billion	3	10
< $10 billion	2	21

Finding 3: Public sector funds were more likely than other types of funds to disclose a complete proxy voting record.

- Four of nine Public Sector funds (as defined by APRA) disclose a complete proxy voting record.
- Five of 23 Industry funds disclose a complete proxy voting record.
- Two of 14 Retail funds disclose a complete proxy voting record.
- No Corporate funds disclose a complete proxy voting record.

Fund type	# Funds with complete voting record	# Funds
Corporate	0	4
Industry	5	23
Public Sector	4	9
Retail	2	14

Finding 4: Members of some investment industry associations – ACSI, IGCC, PRI and RIAA – were more likely than non-members to disclose a complete proxy voting record; while FSC members were less likely than non-FSC members to disclose a complete proxy voting record.

- 8 of 27 (30%) ACSI members disclosed a complete proxy voting record; only 3 of 23 (13%) non-ACSI members disclosed a complete proxy voting record.
- 2 of 13 (15%) FSC members disclosed a complete proxy voting record; 9 of 37 (24%) non-FSC members disclosed a complete proxy voting record.

- 6 of 22 (27%) IGCC members disclose a complete proxy voting record; only 5 of 28 (18%) non-IGCC members disclosed a complete proxy voting record.
- 9 of 30 (30%) PRI signatories disclose a complete proxy voting record; only 2 of 20 (10%) non-PRI signatories disclosed a complete proxy voting record[35].
- 7 of 21 (33%) RIAA members disclose a complete proxy voting record; only 4 of 29 (14%) non-RIAA members disclosed a complete proxy voting record.

Finding 5: Only one fund – Local Government Super – discloses its votes before company meetings are held; another five funds disclose their voting record less than a week after the company meeting.

- Only one fund – Local Government Super – discloses its votes before company meetings are held.
- Five funds – BT Financial Group, Cbus, EnergySuper, EquipSuper and Vision Super – disclose their voting record less than a week after the company meeting (note that of these five funds, only Cbus and Vision Super disclose a complete voting record).
- Two funds – AustralianSuper and VicSuper – disclose their voting records on a quarterly basis.
- Seven funds disclose their voting records on a semi-annual basis.
- 18 funds disclose their voting records on an annual basis.
- Six funds disclose only a summary of their voting records (most are annual).
- 11 funds either do not vote, or do not disclose a proxy voting record at all.
- Eight funds disclose their proxy voting records via an online portal, rather than an Excel or PDF file: BT Financial Group, Cbus, EnergySuper, EquipSuper, Local Government Super, Mercer, VicSuper, Vision Super.

Frequency of disclosure	# Funds	Total AUM $B	% APRA-regulated AUM
Within a week	6	188.0	11%
Quarterly	2	167.0	9%
Semi-Annually	7	215.4	12%
Annually	18	578.2	33%
Summary only	6	376.4	21%
No disclosure	11	174.7	10%

[35] REST became a PRI signatory in February 2019, so it was classified as a non-signatory in this study.

FINDINGS ON VOTING BEHAVIOUR

Finding 6: Just three funds supported more than 75% of the shareholder proposals on ESG issues that they voted on in 2018, a further six funds supported more than 50% (minimum 20 votes).

- Just three funds supported more than 75% of the shareholder proposals ('the proposals') on ESG issues that they voted on in 2018: Local Government Super (91%), Vision Super (88%) and Cbus (77%). These funds are responsible for managing $68 billion, or just 4% of APRA-regulated AUM.
- A further six funds supported more than 50% but less than 75% of the proposals that they voted on in 2018: AustralianSuper (63%), VicSuper (60%), UniSuper (59%), HESTA (56%), Mercer (52%) and Tasplan Super (50%). These funds are responsible for managing $325 billion, or 18% of APRA-regulated AUM.
- 12 funds supported less than 50% of the proposals that they voted on in 2018.
- 5 of those 12 funds supported less than 20% of the proposals that they voted on in 2018 (minimum 20 votes).
- 12 funds voted on fewer than 20 of the proposals that they voted on in 2018.
- 17 funds did not disclose sufficient data.

Top 10 funds by overall support (minimum 20 votes):

Fund	Proposals supported	Proposals voted on	% Supported
Local Government Super	90	99	**91%**
Vision Super	110	125	**88%**
Cbus	167	218	**77%**
AustralianSuper	45	71	**63%**
VicSuper	124	205	**60%**
UniSuper	19	32	**59%**
HESTA	120	214	**56%**
Mercer	115	221	**52%**

Fund	Proposals supported	Proposals voted on	% Supported
Tasplan Super	19	38	**50%**
Macquarie	106	216	**49%**

Bottom five funds by overall support (minimum 20 votes):

Fund	Proposals supported	Proposals voted on	% Supported
EnergySuper	9	51	**18%**
Sunsuper	4	24	**17%**
StatePlus Retirement Fund	4	26	**15%**
EquipSuper	4	30	**13%**
First State Super[36]	3	47	**6%**

Number of funds by overall support (minimum 20 votes):

Aggregate support	# Funds	Total AUM $B	% APRA-regulated AUM
>50%	9	393.1	22%
0-50%	12	409.9	23%
< 20 votes	12	369.2	21%
No disclosure	17	527.4	30%

[36] First State Super's international proxy voting record did not include Canadian and US-listed companies.

Finding 7: There was no clear correlation between voting behaviour and fund size. Funds managing between $10 billion and $50 billion supported the majority of the shareholder proposals on ESG issues that they voted on in 2018.

- Funds managing more than $50 billion supported 33% of the shareholder proposals ('the proposals') on ESG issues that they voted on in 2018.
- Funds managing between $20 billion and $50 billion supported 55% of the proposals that they voted on in 2018.
- Funds managing between $10 billion and $20 billion supported 50% of the proposals that they voted on in 2018.
- Funds managing less than $10 billion supported 47% of the proposals that they voted on in 2018 (note that Vision Super accounted for 110 of the 170 supportive votes, or 65%).

AUM	Proposals supported	Proposals voted on	% Supported
> $50 billion	104	316	33%
$20-50 billion	580	1055	55%
$10-20 billion	265	530	50%
< $10 billion	170	361	47%

Finding 8: Public sector funds were more likely than other types of funds to support the shareholder proposals on ESG issues that they voted on in 2018.

- Public Sector funds (as defined by APRA) supported 62% of the shareholder proposals ('the proposals') on ESG issues that they voted on in 2018.
- Industry funds supported 46% of the proposals that they voted on in 2018.
- Retail funds supported 42% of the proposals that they voted on in 2018.
- Corporate funds supported just two of the six proposals disclosed (33%).

Fund type	Proposals supported	Proposals voted on	% Supported
Corporate	2	6	33%
Industry	511	1,101	46%
Public Sector	363	583	62%
Retail	243	572	42%

Finding 9: Members of some investment industry associations – ACSI, IGCC, PRI and RIAA – were more likely than non-members to support the shareholder proposals on ESG issues that they voted on in 2018; while FSC members were less likely than non-FSC members to support the shareholder proposals on ESG issues that they voted on in 2018.

- ACSI members supported 55% of the shareholder proposals on ESG issues ('the proposals') that they voted on in 2018; non-ACSI members supported 34% of the proposals that they voted on in 2018.
- FSC members supported 45% of the shareholder proposals on ESG issues ('the proposals') that they voted on in 2018; non-FSC members supported 51% of the proposals that they voted on in 2018.
- IGCC members supported 57% of the shareholder proposals on ESG issues ('the proposals') that they voted on in 2018; non-IGCC members supported 40% of the proposals that they voted on in 2018.
- PRI signatories supported 55% of the shareholder proposals on ESG issues ('the proposals') that they voted on in 2018; non-PRI signatories supported 26% of the proposals that they voted on in 2018.
- RIAA members supported 59% of the shareholder proposals on ESG issues ('the proposals') that they voted on in 2018; non-RIAA members supported 34% of the proposals that they voted on in 2018.

Industry association	Proposals supported	Proposals voted on	% Supported
ACSI	915	1,665	55%
FSC	239	537	45%
IGCC	713	1,248	57%
PRI	1,011	1,848	55%
RIAA	827	1,397	59%

FINDINGS ON VOTING BEHAVIOUR BY JURISDICTION

Finding 10: Just five funds supported 50% or more of the shareholder proposals on ESG issues at Australian-listed companies that they voted on in 2018.

- Just five funds supported 50% or more of the shareholder proposals ('the proposals') on ESG issues at Australian-listed companies that they voted on in 2018: Local Government Super (86%), VicSuper (82%), HESTA (65%), Vision Super (59%) and First State Super (50%).
- A further 17 funds supported at least one of the proposals in Australia in 2018.
- 12 funds did not support any of the proposals in Australia in 2018.
- 17 funds did not disclose sufficient data.

Fund	Proposals supported (AU)	Proposals voted on (AU)	% Supported
Local Government Super	12	14	86%
VicSuper	14	17	82%
HESTA	11	17	65%
Vision Super	10	17	59%
First State Super	3	6	50%

Finding 11: Just ten funds supported 50% or more of the shareholder proposals on ESG issues at US-listed companies that they voted on in 2018.

- Just ten funds supported 50% or more of the shareholder proposals ('the proposals') on ESG issues at US-listed companies that they voted on in 2018: Vision Super (93%), Cbus (92%), Local Government Super (92%), AustralianSuper (76%), HESTA (72%), VicSuper (72%), Mercer (71%), UniSuper (70%), Macquarie (68%) and Tasplan Super (58%).
- A further 5 funds supported at least 10 of the US proposals in 2018.
- A further 5 funds supported at least one of the US proposals in 2018.
- 30 funds did not disclose sufficient data.

Fund	Proposals supported (US)	Proposals voted on (US)	% Supported
Vision Super	94	101	93%
Cbus	139	151	92%
Local Government Super	72	78	92%
AustralianSuper	39	51	76%
HESTA	102	142	72%
VicSuper	99	137	72%
Mercer	108	152	71%
UniSuper	19	27	70%
Macquarie	100	147	68%
Tasplan Super	18	31	58%

Finding 12: Thirteen funds supported a significantly lower proportion of the shareholder proposals on ESG issues at Australian-listed companies than the proportion of proposals they supported at US-listed companies in 2018.

This may be due to the smaller sample of Australian shareholder proposals; the precondition of an amendment to a company's constitution in order to allow for an ordinary proposal; and/or, the relative reluctance of funds to vote against management in Australia, given the access to boards and management that Australian funds currently enjoy. ACCR encourages funds to clarify this discrepancy.

Fund	% Supported (AU)	% Supported (US)
AustralianSuper	24% (4/17)	76% (39/51)
Cbus	29% (5/17)	92% (139/151)
EnergySuper	0% (0/14)	22% (8/36)
EquipSuper	0% (0/17)	31% (4/13)
Macquarie	17% (1/6)	68% (100/147)
Mercer	6% (1/17)	71% (108/152)
Mine Wealth + Wellbeing	0% (0/6)	42% (33/78)
NGS Super	17% (1/6)	38% (9/24)
PostSuper	0% (0/2)	34% (32/95)
REST	0% (0/6)	32% (15/47)
StatePlus Retirement Fund	0% (0/6)	38% (3/8)
Tasplan Super	0% (0/6)	58% (18/31)
UniSuper	0% (0/4)	70% (19/27)

FINDINGS ON CLIMATE-RELATED VOTING BEHAVIOUR

Finding 13: Just eight funds supported 50% or more of the climate-related shareholder proposals that they voted on in 2018 (minimum 10 votes).

- Just eight funds supported 50% or more of the climate-related shareholder proposals ('the proposals') that they voted on in 2018: Local Government Super (100%), Vision Super (93%), Cbus (84%), VicSuper (81%), AustralianSuper (73%), HESTA (63%), Mercer (56%) and Macquarie (55%). These funds are responsible for managing $331 billion, or 19% of APRA-regulated AUM.
- A further 17 funds supported at least one climate-related proposal in 2018.
- Eight funds did not support any climate-related proposal in 2018.
- 17 funds did not disclose sufficient data.

Aggregate support (Climate)	# Funds	Total AUM $B	% APRA-regulated AUM
>50%	8	330.5	19%
0-50%	17	509.6	23%
Zero votes	8	332.1	19%
No disclosure	17	527.4	30%

Finding 14: Five funds significantly increased their support for climate-related shareholder proposals between 2017 and 2018 (minimum 10 votes); while one fund's support significantly decreased.

- Five funds significantly increased their support for climate-related shareholder proposals that they voted on between 2017 and 2018 (minimum 10 votes): Cbus (11% to 84%), VicSuper (10% to 81%), AustralianSuper (41% to 73%), Macquarie (0% to 55%)[37], HOSTPlus (0% to 27%).
- Mine Wealth + Wellbeing's support for climate-related shareholder proposals that it voted on decreased significantly from 62% in 2017 to just 18% in 2018.

[37] Macquarie's improvement was likely due to the disclosure of its international proxy voting record for the first time in 2018.

Fund	% Supported (2017)[38]	% Supported (2018)
Local Government Super	81% (21/26)	100% (14/14)
Vision Super	79% (15/19)	93% (14/15)
Cbus	**11% (5/44)**	**84% (31/37)**
VicSuper	**10% (5/49)**	**81% (30/37)**
AustralianSuper	**41% (20/49)**	**73% (8/11)**
HESTA	86% (44/51)	63% (24/38)
Mercer	71% (36/51)	56% (22/39)
Macquarie	**0% (0/2)**	**55% (24/44)**
PostSuper	26% (6/23)	36% (5/14)
HOSTPlus	**0% (0/10)**	**27% (8/30)**
Mine Wealth + Wellbeing	**62% (13/21)**	**18% (2/11)**
First State Super[39]	42% (5/12)	17% (2/12)

[38] https://www.marketforces.org.au/campaigns/super/voting-against-climate-action/

[39] First State Super's international proxy voting record did not include Canadian and US-listed companies.

Finding 15: There was no clear correlation between voting behaviour on climate-related shareholder proposals and fund size. Funds managing between $10 billion and $50 billion supported the majority of the climate-related shareholder proposals that they voted on in 2018.

- Funds managing more than $50 billion supported 33% of the climate-related shareholder proposals ('the proposals') that they voted on in 2018.
- Funds managing between $20 billion and $50 billion supported 62% of the climate-related proposals that they voted on in 2018.
- Funds managing between $10 billion and $20 billion supported 51% of the climate-related proposals that they voted on in 2018.
- Funds managing less than $10 billion supported 49% of the climate-related proposals that they voted on in 2018 (note that Vision Super accounted for 14 of the 26 supportive votes, or 54%).

AUM	Proposals supported (Climate)	Proposals voted on (Climate)	% Supported
> $50 billion	17	52	33%
$20-50 billion	115	187	62%
$10-20 billion	49	97	51%
< $10 billion	26	53	49%

Finding 16: Public sector funds were more likely than other types of funds to support climate-related shareholder proposals that they voted on in 2018.

- Public Sector funds (as defined by APRA) supported 71% of the climate-related shareholder proposals ('the proposals') that they voted on in 2018.
- Retail funds supported 48% of the climate-related proposals that they voted on in 2018.
- Industry funds supported 48% of the climate-related proposals that they voted on in 2018.
- Corporate funds supported one of the two climate-related proposals disclosed (50%).

Fund type	Proposals supported (Climate)	Proposals voted on (Climate)	% Supported
Corporate	1	2	50%
Industry	87	183	48%
Public Sector	65	92	71%
Retail	54	112	48%

Finding 17: Members of some investment industry association – ACSI, IGCC, PRI and RIAA – were more likely than non-members to support the climate-related shareholder proposals they voted on in 2018; while FSC members were less likely than non-FSC members to support the climate-related shareholder proposals they voted on in 2018.

- ACSI members supported 59% of the climate-related shareholder proposals ('the proposals') that they voted on in 2018; non-ACSI members supported just 38% of the climate-related proposals that they voted on in 2018.
- FSC members supported 50% of the climate-related proposals that they voted on in 2018; non-FSC members supported 54% of the climate-related proposals that they voted on in 2018.
- IGCC members supported 65% of the climate-related proposals that they voted on in 2018; non-IGCC members supported just 39% of the climate-related proposals that they voted on in 2018.
- PRI signatories supported 59% of the climate-related proposals that they voted on in 2018; non-PRI signatories supported just 25% of the climate-related proposals that they voted on in 2018.
- RIAA members supported 65% of the climate-related shareholder proposals that they voted on in 2018; non-RIAA members supported just 35% of the climate-related proposals that they voted on in 2018.

Industry association	Proposals supported (Climate)	Proposals voted on (Climate)	% Supported
ACSI	166	280	59%
FSC	52	103	50%
IGCC	139	215	65%
PRI	190	320	59%
RIAA	153	234	65%

FINDINGS ON LOBBYING-RELATED VOTING BEHAVIOUR

Finding 18: Thirteen funds supported 50% or more of the lobbying-related shareholder proposals that they voted on in 2018 (minimum 10 votes).

- 13 funds supported 50% or more of the lobbying-related shareholder proposals ('the proposals') that they voted on in 2018: Local Government Super (100%), Cbus (95%), Vision Super (95%), UniSuper (91%), HESTA (89%), VicSuper (89%), Mercer (88%), Macquarie (87%), AustralianSuper (78%), Tasplan Super (67%), Mine Wealth + Wellbeing (59%), HOSTPlus (53%) and REST (53%). These funds are responsible for managing $513 billion, or 29% of APRA-regulated AUM.
- A further 13 funds supported at least one lobbying-related proposal in 2018.
- Seven funds did not support any lobbying-related proposal in 2018.
- 17 funds did not disclose sufficient data.

Aggregate support (Lobbying)	# Funds	Total AUM $B	% APRA-regulated AUM
>50%	13	512.7	29%
0-50%	13	357.7	20%
Zero votes	7	301.9	17%
No disclosure	17	527.4	30%

Finding 19: There was no clear correlation between voting behaviour on lobbying-related shareholder proposals and fund size. All disclosing funds supported the majority of the lobbying-related shareholder proposals they voted on in 2018.

- Funds managing more than $50 billion supported 59% of the lobbying-related shareholder proposals ('the proposals') that they voted on in 2018.
- Funds managing between $20 billion and $50 billion supported 83% of the lobbying-related proposals that they voted on in 2018.
- Funds managing between $10 billion and $20 billion supported 78% of the lobbying-related proposals that they voted on in 2018.
- Funds managing less than $10 billion supported 56% of the lobbying-related proposals that they voted on in 2018 (note that Vision Super accounted for 38 of the 59 supportive votes, or 64%).

AUM	Proposals supported (Climate)	Proposals voted on (Climate)	% Supported
More than $50 billion	42	71	59%
$20-50 billion	229	276	83%
$10-20 billion	115	148	78%
Less than $10 billion	59	105	56%

Finding 20: Public sector funds were more likely than other types of funds to support lobbying-related shareholder proposals that they voted on in 2018[40].

- Public Sector funds (as defined by APRA) supported 81% of the lobbying-related shareholder proposals ('the proposals') that they voted on in 2018.
- Retail funds supported 76% of the lobbying-related proposals that they voted on in 2018.
- Industry funds supported 69% of the lobbying-related proposals that they voted on in 2018.
- Corporate funds supported the only lobbying-related proposals they disclosed (100%).

Fund type	Proposals supported	Proposals voted on	% Supported
Corporate	1	1	100%
Industry	204	295	69%
Public Sector	134	165	81%
Retail	106	139	76%

[40] Corporate funds disclosed just one lobbying-related shareholder proposal in 2018.

Finding 21: Members of an investment industry association – ACSI, FSC, IGCC, PRI and RIAA – were more likely than non-members to support lobbying-related shareholder proposals that they voted on in 2018.

- ACSI members supported 80% of the lobbying-related shareholder proposals ('the proposals') that they voted on in 2018; non-ACSI members supported 56% of the lobbying-related proposals that they voted on in 2018.
- FSC members supported 79% of the lobbying-related proposals that they voted on in 2018; non-FSC members supported 73% of the lobbying-related proposals that they voted on in 2018.
- IGCC members supported 85% of the lobbying-related proposals that they voted on in 2018; non-IGCC members supported 61% of the lobbying-related proposals that they voted on in 2018.
- PRI signatories supported 81% of the lobbying-related proposals that they voted on in 2018; non-PRI signatories supported just 41% of the lobbying-related proposals that they voted on in 2018.
- RIAA members supported 85% of the lobbying-related shareholder proposals that they voted on in 2018; non-RIAA members supported 57% of the lobbying-related proposals that they voted on in 2018.

Industry association	Proposals supported (Climate)	Proposals voted on (Climate)	% Supported
ACSI	359	445	80%
FSC	106	134	79%
IGCC	274	321	85%
PRI	399	489	81%
RIAA	313	367	85%

OTHER FINDINGS

Finding 22: There was widespread support for numerous shareholder proposals relating to climate risk disclosure and climate lobbying in both Australia and the United States; but some funds continue to vote against reasonable, widely supported shareholder proposals in Australia.

Company	Proposal	% Overall vote for	Vote	Supporting funds
Anadarko Petroleum (US)	Report on 2-degree analysis and strategy	53.0%	For	Cbus, HESTA, HOSTPlus, Macquarie, Mercer, VicSuper
Kinder Morgan (US)	Report on 2-degree analysis and strategy	59.7%	For	Cbus, EnergySuper, HESTA, HOSTPlus, Macquarie, Mercer, VicSuper, Vision Super, StatePlus Retirement Fund
Origin Energy (AU)	Review advocacy of industry associations	46.3%	Abstain	AMP, IOOF
			Against	**Catholic Super, EquipSuper, Mercer, Prime Super**
			For	AustralianSuper, BT Financial Group, Cbus, HESTA, Local Government Super, MTAA Super, VicSuper, Vision Super
Whitehaven Coal (AU)	Climate risk disclosure	40.1%	Abstain	IOOF
			Against	**EquipSuper**
			For	AMP, AustralianSuper, BT Financial Group, Catholic Super, Cbus, HESTA, Mercer, MTAA Super, Prime Super, VicSuper, Vision Super

Finding 23: Seven funds failed to support an Australian shareholder proposal calling for the measurement and reporting of methane emissions, despite supporting similar resolutions in the United States.

Company	Proposal	% Overall vote for	Vote	Supporting funds
Chevron Corp (US)	Report on methane emissions/reduction targets	45.0%	For	AustralianSuper, Cbus, EnergySuper, HESTA, HOSTPlus, Macquarie, Mercer, Mine Wealth + Wellbeing, PostSuper, VicSuper
Kinder Morgan (US)	Report on methane emissions/reduction targets	38.0%	For	Cbus, EnergySuper, HESTA, HOSTPlus, Macquarie, Mercer, VicSuper, Vision Super
Range Resources (US)	Report on methane emissions/reduction targets	50.3%	For	Cbus, HESTA, Macquarie, Mercer, VicSuper
Santos (AU)	Report on methane emissions/reduction targets	9.8%	Against	**AustralianSuper, Cbus, EnergySuper, HOSTPlus, Macquarie, Mercer, Mine Wealth + Wellbeing**
			For	HESTA, VicSuper, Vision Super

APPENDIX 1

Funds with voting records that do not reconcile with their disclosed shareholdings:

1. EnergySuper: voting record does not include numerous large US-listed companies which are included in its disclosed shareholdings.
2. EquipSuper: voting record does not include numerous large US-listed companies which are included in its disclosed shareholdings.
3. NGS Super: voting record does not include numerous large US-listed companies; NGS Super does not disclose its shareholdings.
4. REST: voting record does not include numerous large US-listed companies; REST does not disclose its shareholdings.
5. StatePlus Retirement Fund: voting record does not include numerous large US-listed companies which are included in its disclosed shareholdings.
6. Sunsuper: voting record does not include numerous large US-listed companies which are included in its disclosed shareholdings.

APPENDIX 2

Funds with limited disclosure of their international proxy voting record:

1. BT Financial Group: discloses the voting record of only one international fund manager.
2. First State Super: voting record does not include Canadian and US-listed companies.
3. Tasplan Super: discloses the voting record of only one international fund manager.
4. UniSuper: discloses the voting record of only its 100 largest international shareholdings.