# Proxy voting guidelines

These guidelines should be read in conjunction with the Vision Super Proxy Voting Policy.

**January 2021**



Vision Super Pty Ltd ABN 50 082 924 561 AFSL 225054 RSE licence number L0000239 is the Trustee of the Local Authorities Superannuation Fund ABN: 24 496 637 884. Level 15, 360 Collins Street, Melbourne. PO Box 18041, Collins Street East, Victoria 8003. www.visionsuper.com.au.
Member hotline 1300 300 820, Employer hotline 1300 304 947, Retirement hotline 1300 017 589.

The investment team interprets these guidelines and implements them into our voting process. For more controversial votes or those most open to interpretation, the Chief Responsible Investment Officer will consult with the Climate Action Team (CAT) to determine an appropriate voting response. The CAT includes the CEO, CIO and other senior Vision Super staff. The Board is kept informed of all controversial votes and the reasons for the Vision Super vote at each regularly scheduled Board meeting.

### Board of Director elections

Unless there are extenuating circumstances, Vision Super will vote against the election or re-election of Directors to a company's Board if:

- **a.** They lack the appropriate skillset, capability, or experience or do not have the time to devote to the position.
- **b.** The Board as a whole, lacks sufficient diversity and the candidate does not increase the diversity of the Board.
- **c.** The candidate or Board member has expressed views directly opposed to the long-term success of the company, for example publicly stating they do not believe in the science of climate change.
- **d.** They have been on the Board for too long.
- **e.** There is a serious potential conflict. For example, where the candidate is associated with a material supplier or, in some cases, where the candidate is not independent. This may include where a Director serves as an executive of the company, particularly if the Director is not a substantial shareholder.
- **f.** They have overseen significant misconduct or loss of shareholder value at the company or in a senior role with another organisation.

The Corporations Act 2001 (Cth) requires a Board of Directors to seek shareholder approval to declare there to be 'no vacancy' on the Board in response to the nomination of an external candidate. In some circumstances the number of board positions currently filled is less that the maximum number of board positions specified in the company's constitution.

In these circumstances, Vision Super, in accordance with ACSI Guidelines, and absent a compelling commercial reason, will oppose any such resolution seeking to declare 'no vacancy'.

### Remuneration report resolutions

Vision Super believes:

- > The remuneration of directors and executives should be designed to ensure long-term alignment with shareholder interests.
- > Boards should ensure there is full disclosure of total remuneration packages, including all components and any termination provisions.

Absent extenuating circumstances, Vision Super will vote against:

- **a.** Remuneration reports that do not clearly articulate remuneration structure, policies and procedures.
- **b.** Director or executive pay that is not aligned with performance and shareholder outcomes.
- **c.** Unreasonable fixed remuneration (considering peer companies, industrial obligations, and community expectations).
- **d.** An unreasonable level of variable remuneration (again considering peer companies, industrial obligations, and community expectations).
- **e.** Poorly structured incentives, incentives that are not tied to relevant performance hurdles, incentives that do not take into account non-financial metrics, and incentives that are paid regardless of any likely performance of the company.
- **f.** CEO pay that is unreasonable compared with other members of the executive team, in particular, if it is more than twice the pay of the next most highly paid executive.
- **g.** Variable remuneration for non-executive Directors.

### Equity grants and plans

Vision Super will generally vote against:

- **a.** Grants where the performance criteria are not aligned with shareholder interests.
- **b.** Grants with too short a vesting period.
- **c.** Grants that represent a deferred component of pay already accrued.
- **d.** Grants of equity that will excessively dilute the holdings of existing shareholders.
- **e.** Grants to non-executive Directors that incorporate performance hurdles.

### Termination payments and change of corporate control

Vision Super will generally not support:

- **a.** Equity grants and plans for senior executives that vest based on continuity of employment.
- **b.** Guaranteed termination payments that exceed 12 months' fixed pay.
- **c.** Termination payments that would be paid if an executive retires from office, has resigned, or has been terminated for poor performance.
- **d.** Options or performance rights that automatically vest if there is a takeover or change of control of a company.
- **e.** Equity awards that will automatically vest on termination of employment.

### Auditor resolutions

The Board must appoint an independent auditor. In considering resolutions relating to auditors, Vision Super will consider the history of the audit firm and audit partner, and any relationships and potential conflicts of interest outside of the audit relationship between the company and the audit firm or audit partner.

### Non-binding shareholder resolutions

Vision Super supports resolutions proposing a change to company constitutions to allow non-binding resolutions to be put forward to company meetings. This is on the grounds that no viable alternative method for allowing shareholder ballots has been actively proposed since 2016 when the courts ruled against shareholders with less than 5% of the register putting forward such resolutions.

In the UK and the US, shareholders can propose non-binding resolutions which do not compel the company to act but do create the opportunity for both public and private dialogue with shareholders on ESG issues. While changing company constitutions is not ideal, a signal needs to be sent to companies that this issue needs to be addressed.

Vision Super acknowledges there are better solutions to address this issue and is in favour of a superior alternative when it becomes available. Vision Super acknowledges the need for a reasonable hurdle (5% or 100 shareholders for example) for shareholder resolutions to be accepted, in order for general meetings to avoid the potential to be swamped by individual shareholder resolutions.

**Political contributions & donations**

We believe that companies should provide transparency around and justification of any political donations and partisan political advertising. Vision Super votes against any resolution relating to political contributions/donations and for any non-binding resolutions. Political donations proposals relate to the Political Parties, Elections and Referendums Act 2000 (PPER).

In our view, political donations should be restricted to individual citizens. The general purpose of PPER is to require directors of companies to seek the approval of the company in general meeting to the making of political donations to political parties or organisations or to the incurring of expenditure for political purposes. All these resolutions are general waivers, they do not give specific examples of where donations might be made. We note that newspapers are exempt, trade associations don't count nor do multiparty parliamentary bodies.

We also vote against proposals for a General Authority to make political donations in the European Union (EU).

"EU political expenditure" means any expenditure incurred by a company in respect of the preparation, publication or dissemination of any advertising or other promotional material which could reasonably be regarded as intended to affect public support for any EU political organisation, or in respect of any activities by the company itself which are capable of being reasonably regarded as intended to affect public support for a political party registered under PPER, any other EU political party or any independent candidates at elections, or to influence voters in relation to any national or regional referendum in any EU member state.

**Notice period for meetings**

Vision Super does not support proposals allowing meetings to be convened at short notice as they do not provide enough time for shareholders to evaluate and understand the matters that are raised at these meetings (i.e. Any proposal to call meetings as less than 28 days' notice will be opposed).

**Voting on shareholder proposals on environmental, social, and governance (ESG) matters**

Vision Super will generally vote for shareholder resolutions on ESG issues where we believe they are linked to improved governance or transparency within the company and are in the best interests of shareholders.

We will vote against shareholder proposals if:

- **a.** The company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal or has credibly undertaken to do so.
- **b.** The company has been given insufficient opportunity to respond to the proposal (for example there has been a lack of engagement).
- **c.** The proposal's request is unduly burdensome (in terms of scope, timeframe, or cost) or overly prescriptive.
- **d.** The company's approach deals adequately with any issue thought to merit addressing and compares favourably with any industry standard practices for addressing the issue(s) raised by the proposal.
- **e.** The proposal requests increased disclosure or greater transparency where there is already reasonable and sufficient information available to shareholders from the company or from other publicly available sources.
- **f.** The proposal requests increased disclosure or greater transparency where it would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

# Here to help

**Telephone** 1300 300 820 (8:30am to 5:00pm)

**Monday – Friday** (not including Victorian public holidays)

**email** memberservices@visionsuper.com.au

**visit** www.visionsuper.com.au

**write** PO Box 18041, Collins Street East, VIC 8003

ABN 50 082 924 561    AFSL 225054

RSE L0000239    USI 24496637884020