



STEWARDSHIP STATEMENT

Australian Asset Owner Stewardship Code

August 2022

State Super is committed to ensuring that sustainable long-term investment returns are generated. Economic prosperity, community wellbeing and environmental concerns are considered throughout the investment process.

The Australian Asset Owner Stewardship Code (the Code) consists of six key principles that outline the responsibilities of asset owners to exercise their ownership rights to protect and enhance long-term investment value for their beneficiaries. As a signatory to the Code, State Super supports these principles and is committed to promoting greater transparency and accountability of stewardship activities in Australia.

Principle 1 – Approach to stewardship

State Super is a long-term owner of companies and assets and has a strong interest to enhance long term value by promoting sustainable value creation in the companies in which it invests. State Super believes that companies that best manage ESG risks, impacts and opportunities are likely to be more sustainable and generate better outcomes in the long term. Active ownership and stewardship activities therefore benefit companies and investors as well as State Super members and the economy more broadly. For State Super, active ownership and stewardship activities include company engagement, proxy voting, collaboration and policy advocacy.

Details of State Super's approach to active ownership and stewardship activities are available in the State Super [Responsible Investment Policy](#).

Principle 2 – Proxy voting

State Super recognises the value and importance of the right to vote that attaches to share ownership, particularly as it could affect the value of an investment. State Super endeavours to vote all company meetings where feasible across eligible holdings.

We actively exercise our ownership rights to ensure executives and directors act in the best long-term interests of shareholders. In exercising our ownership rights, we have regard to the following core principles:

Shareholder rights: Shareholder rights should be respected, and all shareholders treated equally.

Remuneration: Executive remuneration should be aligned with the long-term and aligned with shareholder experience. Director remuneration should not be at-risk, but be a fixed fee aligned with their position as stewards of shareholder capital.

Board: Boards should be majority independent and include directors with a diverse mix of skills and experience.

Major transactions: Boards are responsible for ensuring any transaction is undertaken in the best interests of shareholders, that there is a compelling commercial rationale supporting

corporate activities, and that management is aligned with long-term shareholder outcomes, while preserving existing shareholder rights.

Climate Change Resolutions: Climate change resolutions are increasingly lodged at company meetings. While we may agree with the substance of a resolution, the specific wording should be reviewed carefully before determining support.

Other: Considered on a case by case basis.

Our voting activity in relation to Australian and International listed companies is disclosed on our website.

State Super endorses the Australian Council for Superannuation Investors (ACSI) Governance Guidelines and actively participates in the biennial review process.

Details of State Super's approach to proxy voting are available in the State Super [Responsible Investment Policy](#).

Principle 3 – Company engagement

State Super recognises the importance of actively engaging with companies to ensure that they are managing material ESG issues appropriately and performance is maximised over the long term. State Super will assess ESG issues across its portfolio and identify priority themes to focus engagement efforts on. Engagement activities with investee companies will be prioritised according to the materiality, severity and perceived risk associated with the issue.

For a set of key Australian equities holdings, we take a more active role by directly participating and contributing to engagements, as well as monitoring their outcomes.

State Super employs external engagement service providers to undertake engagement on its behalf. State Super's engagement service providers develop annual plans that outline the key ESG issues, sectors and companies they will focus their engagement and research efforts on throughout the year. A State Super representative provides input into these plans through participation in their relevant advisory bodies. Engagement may be conducted with companies that are not currently held in the State Super portfolio but may be included in the future.

Details of State Super's approach to company engagement are available in the State Super [Responsible Investment Policy](#).

Principle 4 – Asset manager stewardship activities

State Super invests through external fund managers. Fund managers' approaches to stewardship are assessed and weighted throughout the selection process, with questions included in all Requests for Information and due diligence processes. Portfolio managers of mandates are expected to have a good working knowledge of ESG issues and how to effectively integrate these issues into investment decisions and related stewardship activities. State Super expects its external fund managers to engage with companies on a regular basis and actively participate in voting (where applicable) to ensure ESG issues are being appropriately managed and factored into investment decisions. Reporting requirements for stewardship activities are included in all relevant investment management agreements (IMAs) and State Super will undertake regular engagement meetings with fund managers to track progress on stewardship activities. Fund manager performance on RI will be monitored and formally reviewed in conjunction with broader asset class reviews.

Details of State Super's approach to monitoring asset managers' stewardship activities are available in the State Super [Responsible Investment Policy](#).

Principle 5 – Policy advocacy

Through its involvement with a number of external collaborative bodies, State Super encourages policy makers to better align the operation of the financial system and regulatory policy with the interests of long-term investors. State Super contributes to the development of submissions on policy, regulation and standard setting to government and regulators through its involvement with the Principles for Responsible Investment, the Australian Council of Superannuation Investors, the Responsible Investment Association Australasia, the Investor Group on Climate Change, GRESB and the International Corporate Governance Network.

Details of State Super's approach to policy advocacy are available in the State Super [Responsible Investment Policy](#).

Principle 6 – Reporting

The State Super [Responsible Investment Policy](#) is published on the fund website. State Super also submits annual reports to NSW Parliament and the Principles for Responsible Investment – both of which are available on the fund website.