




The image shows two overlapping forms from the PRI LEA (Leadership Engagement) toolkit. The top form is LEA 02, titled 'Discretionary', and the bottom form is LEA 03, titled 'Mandatory'. Both forms are designed for recording engagement activities. LEA 02 includes a section for 'Reason for interaction' with checkboxes for 'To support investment decision-making in a company's investment ESG issues', 'To encourage corporate practice for identifying the need to influence or', 'To support investment decision-making in a company's investment ESG issues', 'To encourage corporate practice for identifying the need to influence or', 'To support investment decision-making in a company's investment ESG issues', 'To encourage corporate practice for identifying the need to influence or', 'To support investment decision-making in a company's investment ESG issues', 'To encourage corporate practice for identifying the need to influence or'. LEA 03 includes a section for 'Reason for interaction' with checkboxes for 'To support investment decision-making in a company's investment ESG issues', 'To encourage corporate practice for identifying the need to influence or', 'To support investment decision-making in a company's investment ESG issues', 'To encourage corporate practice for identifying the need to influence or', 'To support investment decision-making in a company's investment ESG issues', 'To encourage corporate practice for identifying the need to influence or', 'To support investment decision-making in a company's investment ESG issues', 'To encourage corporate practice for identifying the need to influence or'.

RI TRANSPARENCY REPORT

2014/15

VicSuper



UNEP Finance Initiative
Changing finance, financing change



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🔍	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	✓	Public							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	✓	Public							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Description of RI considerations	✓	Public	✓					✓	
SAM 02	Role of investment consultants	✓	Public				✓			
SAM 03	RI factors in selection, appointment and monitoring across asset classes	✓	Public							✓
SAM 04	Breakdown of passive, active quant and active fundamental	✓	Public							✓
SAM 05	ESG incorporation strategies	✓	Public	✓	✓					
SAM 06	Selection processes (listed assets)	✓	Public	✓					✓	
SAM 07	Appointment considerations (listed assets)	✓	Public				✓			
SAM 08	Monitoring processes (listed assets)	✓	Public	✓						
SAM 09	Percentage of (proxy) votes cast	✓	Public		✓					
SAM 10	Selection processes (non-listed assets)	🔒	n/a	✓					✓	
SAM 11	Appointment considerations (non-listed assets)	🔒	n/a				✓			
SAM 12	Monitoring processes (non-listed assets)	🔒	n/a	✓					✓	
SAM 13	Description of RI considerations in 'other' asset classes	🔒	n/a	✓					✓	
SAM 14	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓					✓	
SAM 15	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public		✓					
SAM 16	Disclosure of RI considerations	✓	Public						✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 04	Objectives for engagement activities	🔒	n/a		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	✓	Public		✓		✓			
LEA 08	Monitor / discuss service provider information	✓	Public		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

VicSuper

Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the category which best represents your primary activity.

- ☒ Non-corporate pension or superannuation or retirement or provident fund or plan
- ☐ Corporate pension or superannuation or retirement or provident fund or plan
- ☐ Insurance company
- ☐ Foundation or endowment
- ☐ Development finance institution
- ☐ Reserve - sovereign or government controlled fund
- ☐ Other, specify

OO 01.2 Additional information. [Optional]

VicSuper is a \$14 billion strong not-for-profit superannuation fund. We have over 239,000 members and over 20,000 participating employers. (Figures as at 31 December 2014). We've been around for over fifteen years and we are firmly focused on serving our members by helping them plan for and protect their future.

Today VicSuper is one of Australia's fastest growing superannuation funds. We also have a demonstrated and long standing commitment to the integration of environmental, social and governance considerations into our operational and investment decision making processes.

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

Australia

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ☒ 1
- ☐ 2-5
- ☐ 6-10
- ☐ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

230

OO 03	Mandatory	Descriptive	General
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OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ☐ Yes
☒ No

OO 04

Mandatory

Gateway/Peering

General

OO 04.1

Indicate the year end date for your reporting year.

31/12/2014

OO 04.2

Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		14	134	138	948
Currency	AUD				
Assets in USD		13	134	864	947

OO 04.5

Indicate the level of detail you would like to provide about your asset class mix.

- ☒ Approximate percentage breakdown to the nearest 5% (e.g. 45%)
☐ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06

Mandatory

Descriptive

General

OO 06.1

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- ☒ Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	0	61
Fixed income – corporate	0	6
Fixed income – government	0	7.5
Fixed income – other	0	1
Private debt	0	0
Private equity	0	2.5

Property	0	1.5
Infrastructure	0	6
Commodities	0	0
Hedge funds	0	0
Forestry	0	1.5
Farmland	0	1
Inclusive finance	0	0
Cash	0	12
Other (1), specify	0	0
Other (2), specify	0	0

☐ Publish our asset class mix as broad ranges

☐ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 07	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 07.1

Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds.

	% of externally managed assets
Segregated mandate(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Pooled fund(s)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %
<i>Total externally managed assets</i>	100%

OO 07.2

Indicate the proportion of your externally managed assets in fund-of-funds.

	% of externally managed assets
Fund-of-funds	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 08.1	Indicate the breakdown of your organisation's AUM by market.
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Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 09	Voluntary	Descriptive	General
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OO 09.1	Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.
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VicSuper recognises that the overall health and prosperity of economies and societies is dependent on cohesive communities, a healthy environment and a stable climate. Understanding how economic growth coexists with society and the environment over the long term will continue to be a challenge for governments, businesses and communities alike. Much work is still needed to fully understand how issues including climate change, biodiversity, natural resource security, population growth, education, health and economic development intersect and interact. We believe the finance and investment sectors have a key role to play in contributing to the development of this shared understanding.

As the corporate trustee and administrator of a large Victorian superannuation fund, VicSuper has the responsibility of formulating and implementing a strategy that invests our members' superannuation savings prudently. We are legally bound to invest in alignment with this fiduciary responsibility. VicSuper also recognise that our business intersects and interacts with the economy, society and the environment.

The VicSuper fund is underpinned by good governance, managing our financial and non-financial risks, informed and balanced decision making, monitoring our performance, transparent disclosure and reporting, and proactive stakeholder engagement. This approach not only helps us to manage our core business risks, it also helps us to leverage opportunities associated with leadership, innovation, efficiency and continuous improvement.

VicSuper's Sustainability Charter is the 'guiding framework' which documents and articulates how our values, strategic goals and governance framework link together to help us achieve our sustainability objectives. We believe that integrating sustainability into our business through a balanced and considered approach will help us to generate greater value for our members and stakeholders over the long term.

The Sustainability Charter contains information on our commitment to the integration of ESG factors into our investment decision making processes. This commitment is operationalised through VicSuper's Investments Governance framework, our Investment Policy Statement and ESG integration guide. Further detail on how this policy framework guides our approach to responsible investment is provided in later sections of this PRI report.

Each year we provide our stakeholders with a comprehensive Annual Performance Report which provides a comprehensive overview of our company and investment performance and the key issues facing VicSuper and the industry. This report is subject to independent assurance using the ISAE3000 Standard and is in alignment with international best practice Global Reporting Initiative (GRI) G4 Guidelines and further tests the principles of the International Integrated Reporting Framework. At far as we are aware, VicSuper is currently the only superannuation fund in Australia to have achieved this level and extent of reporting. This comprehensive, open and transparent disclosure of our performance aligns with our business values and ongoing commitment to sustainability and responsible investment.

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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OO 10.1 Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☒ We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- ☐ None of the above

OO 11	Mandatory	Gateway	General
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OO 11.2 Indicate if in the reporting year you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes in the following externally managed asset classes.

- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☐ Fixed Income – other
- ☒ Private equity
- ☒ Property
- ☒ Infrastructure
- ☒ Forestry
- ☒ Farmland
- ☐ Cash
- ☐ None of the above

OO 12	Mandatory	Gateway	General
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OO 12.1 The modules and sections that you will be required to complete are listed below.

This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.

Core modules

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

RI implementation via external managers

Indirect - Selection, Appointment and Monitoring of External Managers

- ☒ Listed Equities
- ☐ Fixed Income - Corporate
- ☐ Fixed Income - Government
- ☐ Private Equity
- ☐ Property
- ☐ Infrastructure
- ☐ Forestry
- ☐ Farmland

Closing module

- ☒ Closing module

VicSuper

Reported Information

Public version

Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1 Indicate if you have a responsible investment policy.

- ☒ Yes
☐ No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

- ☒ Yes
☐ No

OA 01.3 Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

VicSuper's Investment Governance Framework documents VicSuper's investment policy and principles. It also outlines the systems, structures, policies and processes required to responsibly manage members' funds. To support our overarching sustainability commitments we have integrated ESG into our Investment Governance Framework. The framework is comprised of three key components:

1. The investment policy
2. Investment objectives and implementation
3. Investment risk monitoring and management

VicSuper's investment policy is to:

- Offer investment options that cover the varying levels of risk and expected return
- Set a rolling 10-year return objective for each investment option
- Invest each option according to a strategic asset allocation varied within the dynamic asset allocation ranges
- Use a core and satellite investment approach
- Invest for the long term by integrating environmental, social, and governance factors into our investment strategy

In order to achieve these policy outcomes, the Trustee, together with management and our principal investment consultant has developed an Investment Policy Statement (IPS). The IPS articulates VicSuper's investment principles, beliefs and objectives. As outlined in the IPS, the investment beliefs that directly support our overarching sustainability objectives include:

- We take a long term perspective in relation to our investment horizon and seek to optimise long term performance.
- We are 'universal investors' who invest in a broad range of global companies and assets and have a vested interest in the long term sustainability of the global economy.
- We believe that integrating ESG factors into our investment decision making processes and engaging on cross market ESG issues adds value.
- We believe good governance and transparency protects the savings of our members and other stakeholders and ensures an effective system of controls.
- We believe in engaging with and educating our members.

In order to provide further detail on our process for ESG Integration, we have developed an ESG Integration Guide. The guide articulates how ESG factors are considered within the investment process.

Under this ESG integration approach, we generally don't include or exclude particular companies on ethical or moral grounds. We believe that wholesale divestment across an entire sector using ESG factors may potentially compromise our fiduciary duty. However, in line with many of our industry peers, the Trustee has resolved to divest companies that produce tobacco products from the Fund's investment portfolio.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1	Indicate if your responsible investment policy is publicly available.
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☒ Yes

OA 02.2	Provide a URL to your responsible investment policy.
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	URL
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<http://www.vicsuper.com.au/Investments/Investment-strategy/ESG-integration>

☐ No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.
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☒ Yes

☒ Yes, all

☐ Yes, some

OA 02.4	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.
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Policy or document name	URL
Sustainability Charter	http://www.vicsuper.com.au/About-us/Sustainability/Policies.aspx
Investment Policy Statement	http://www.vicsuper.com.au/Investments/Investment-strategy.aspx
Governance & Proxy Voting	http://www.vicsuper.com.au/About-us/Sustainability/Policies.aspx

☐ No

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.
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Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 04	Mandatory	Core Assessed	General
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OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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☒ Yes

OA 04.2	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]
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VicSuper has a strong commitment to ensuring that all its business activities are carried out in a way that is both ethical and compliant. VicSuper expects the highest standards of professional behaviour from the Trustee, the Executive team, senior management and employees. The VicSuper Code of Conduct Policy outlines the behavioural expectations of VicSuper and its employees as we work together to pursue the VicSuper vision which comprises VicSuper's goal, central operating principle, core purpose and core values.

The Code applies to VicSuper and all of its employees including: substantive and temporary employees, agency employees, casuals, contractors, consultants, directors, students and volunteers. As such the Code covers our entire business including our Investment Committee and investments team.

The Code requires all VicSuper employees to be vigilant in identifying conflicts of interest. Where conflicts arise or are likely to arise, employees should ensure they inform their executive manager or the Chief Executive and decline to act or otherwise as appropriate.

As part of VicSuper's culture of transparency, integrity and accountability, employees are encouraged to report improper conduct they encounter. This includes gaining advantage from a relationship with VicSuper to which VicSuper has not agreed (e.g. conflict of interest). To ensure that all employees can report this unethical behaviour VicSuper has an established Whistleblower Policy and supporting process. This approach allows for reporting of improper conduct and protection of those who make such reports.

In relation to investments, conflict of interest related risks are reduced through the use of external fund managers who make day to day investment decisions on our behalf. The separation of strategic investment decision making from the monitoring of compliance with investment policies is also an essential feature of a robust investment governance model. At VicSuper it is conducted both internally (by the Legal, Risk and Compliance Team) and externally (by the Fund's custodian).

☐ No

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
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OA 05.1 Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes

OA 05.2 Indicate how frequently your organisation sets or revises objectives for responsible investment.

- ☒ At least once per year
☐ Less than once per year

OA 05.3 Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ☒ Quarterly
☐ Biannually
☐ Annually
☐ Every two years or less
☐ It is not reviewed
☐ No

OA 05.4 Additional information. [Optional]

VicSuper's Investment Policy Statement specifies our investment beliefs and objectives (which includes the integration of ESG) and articulates how investment strategy is formulated. Investment committee monitors and reviews those beliefs and objectives on an ongoing basis. The Trustee formally reviews and monitors investment strategy on a yearly basis and monitors investment performance and risk on a monthly basis.

OA 06	Voluntary	Descriptive	General
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OA 06.1 List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

☒ Add responsible investment objective 1

Objective 1	Training, communication and engagement on VicSuper's approach to ESG integration.
Key performance indicators	Delivery of Investments Communication Strategy and "Integrating ESG into investments" guide for the VicSuper website
Describe the progress achieved	VicSuper's Investments Policy Statement and ESG Integration Guide are disclosed publicly. Information on ESG integration is included in employee induction and the annual report.

- ☐ Add responsible investment objective 2
☐ Add responsible investment objective 3

OA 06.2	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.
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☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Reviewing VicSuper's policy and management of the impacts of climate change on our investment portfolio.
Key performance indicators	Development and disclosure of public position statement on climate change on the VicSuper website. Documented management strategy outlining process for assessing climate risk.

☒ Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Review the VicSuper Equity Growth Sustainability option to determine whether the option adequately meets our members needs and expectations in relation to investment choice.
Key performance indicators	

☐ Add responsible investment objective 3 for the next reporting year

OA 06.3	Additional information.
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VicSuper has an established commitment to the integration of ESG factors into our investment decisions. Each year we work to develop and refine our approach to ensure that we continuously improve our performance. The past year saw our efforts focused on the review of our Investments Governance Framework and supporting policies and systems to ensure that our current strategy is clearly articulated and defined. The year ahead will see VicSuper focusing on implementation, risk management and product delivery projects.

Governance and human resources

OA 07	Voluntary	Descriptive	General
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OA 07.1	Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.
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VicSuper's overarching Governance Framework outlines the relationship between the key decision makers at the Fund. The Trustee is responsible for setting investment policy and overall investment strategy. The Trustee holds ultimate responsibility for and oversight of VicSuper's investment policy, strategy and policy and more broadly, the regulatory compliance of the VicSuper Fund. It has delegated certain functions to sub-committees. The sub-committees include the:

- Audit, Compliance and Risk Management Committee
- Investment Committee (see below)
- Remuneration Committee

The Investment Committee Charter determines the responsibility, structure and duties of the Investment Committee. It is a formal document reviewed at least annually and agreed by resolution of the Trustee. The Investment Committee has the following delegations as approved by the Trustee in February 2014:

- Dynamic Asset Allocation Tilts (incl. currency) - approve - within allocation ranges approved by Trustee

- Fund Manager Appointment and Termination - approve - within delegations approved by Trustee

The objective of the Investment Committee is to assist the Trustee in relation to the investment activities of VicSuper Pty Ltd, VicSuper Fund and VicSuper Ecosystem Services Pty Ltd.

The VicSuper investments team comprises four members. VicSuper's Chief Investment Officer is responsible for the overall investment performance of the Fund, managing the investment team, setting strategic and dynamic asset allocations and trustee reporting. In addition, there are two teams within the broader team - one focused primarily on growth assets and the other on defensive assets. The growth assets team is responsible for equities (listed and unlisted), real assets, relevant manager monitoring, engagement and proxy voting. The defensive assets team is responsible for cash and fixed interest asset classes, currency hedging and relevant manager monitoring.

The investment implementation process used at VicSuper involves the interaction of the investments team with the finance team. Importantly, there is a clear separation of duties between these teams. The finance team are responsible for communicating all instructions related to cash movements between investment managers and the Custodian.

VicSuper's 2012-2014 Sustainability Action Plan outlines a number of strategic projects and engagement initiatives. The Action Plan is applicable to the entire VicSuper business, both operations and investments. VicSuper's Corporate Sustainability Manager is responsible for developing and co-ordinate the successful implementation of the action items. Each initiative in the action plan is sponsored by a responsible Executive Manager, which increases executive buy-in and accountability and helps to drive progress on implementation. The Corporate Sustainability Manager engages with the responsible Executive Manager on a quarterly basis to provide a status update on performance and progress.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08	Mandatory	Gateway/Core Assessed	General
OA 08.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.		

Roles present in your organisation

- ☒ Board members or trustees
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Other Chief-level staff or head of department, specify
- ☒ Portfolio managers
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Dedicated responsible investment staff
- ☒ External managers or service providers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other role, specify
 - Manager Corporate Sustainability**
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
 - ☒ Other role, specify
 - Corporate Sustainability Consultant**
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment

OA 08.2

Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

Number

0

OA 08.3	Additional information. [Optional]
---------	------------------------------------

VicSuper has a small team of investment specialists which implements the Fund's investment policy and strategy. External fund managers are also responsible for the implementation of this strategy, as well as making day-to-day investment decisions and for taking into consideration ESG factors when choosing investments.

VicSuper does not consider ESG as a separate task or as a specialist role within our organisation. We firmly advocate that everyone, from investment analysts right up to the Trustee, plays their part in the ESG integration process.

OA 09	Voluntary	Additional Assessed	General
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OA 09.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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Board members/Board of trustees

- ☒ Responsible investment included in personal development and/or training plan

OA 09.2	Describe any activities undertaken during the reporting year to develop and maintain Board members' skills and knowledge in relation to responsible investment.
---------	---

Both Trustee Directors and Investment Committee Members are subject to regular internal and external investment-related presentations from investment managers and/or other investment specialists. These presentations include information/education on particular investment topics, which may include ESG-related issues and how ESG is an integral part of investing.

- ☐ None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Portfolio managers

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Investment analysts

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other role

Manager Corporate Sustainability

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other role

Corporate Sustainability Consultant

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

OA 09.3

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

All VicSuper employees take part in the company wide "i Perform and Grow" performance management and development program (iPAG) . This program is run by our People and Culture department to ensure that it is consistently applied to all employees across the VicSuper business.

Each employee, including investment staff, develop a performance management and development plan at the commencement of the financial year. The plan is built in alignment with VicSuper's strategic plan and objectives to ensure that everyone is working towards consistent goals. Each employee plan includes performance objectives aligned with the following strategic pillars:

- *Growth and Scale* - which outlines how each employee and team contributes to the growth of our fund.
- *Products and Services* - which outlines how each employee and team helps to develop products and services that are tailored to the needs of our members and employers, are easy to access, and facilitate education on superannuation and our approach.
- *Positioning and Branding* - which outlines how each employee and team contributes to living our values and our commitments to sustainability. This includes the integration of sustainability considerations into our decision making processes and the delivery of our sustainability action plan.
- *Investments* - which outlines how each employee and team contributes to maintaining a disciplined investment management process to ensure that we achieve our investment risk/return objectives.

While the iPAG structure and strategic objectives are consistent across our business, each employee and team have different KPIs depending on their role. Individual employee performance is measured against the KPIs listed in their iPAG. Performance against these KPIs influences remuneration increases and individual performance bonus payments on a yearly basis.

Members of both the investments team and the corporate sustainability team undertake professional development activities to ensure that they maintain and update their knowledge. Activities include participation in signatory working groups and/or roundtable discussions related to ESG topics.

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
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OA 10.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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Select all that apply

- ☒ Principles for Responsible Investment

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

VicSuper has been a long term signatory of the PRI. We apply the framework in our business and we report on our progress against implementation of the principles.

- ☐ Asian Corporate Governance Association
- ☐ Association for Sustainable & Responsible Investment in Asia
- ☒ Australian Council of Superannuation Investors

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

VicSuper engages with the Australian Council of Superannuation Investors (ACSI) on a regular basis through attendance at meetings, one-on-one engagement with their team, attending ACSI led conferences and information sessions, participating in industry based research etc.

- ☒ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Vicsuper is an investor signatory.

- ☐ CDP Forests
- ☒ CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Vicsuper is an investor signatory.

- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Council of Institutional Investors (CII)
- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ Global Investors Governance Network (GIGN)
- ☐ Global Real Estate Sustainability Benchmark (GRESB)
- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☒ International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☒ Investor Group on Climate Change, Australia/New Zealand (IGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Commentary on involvement: VicSuper representatives have attended monthly IGCC meetings and presentations. VicSuper is a signatory to the Global Investor Statement on Climate Change which calls on governments to develop an ambitious global agreement on climate change by the end of 2015.

- ☐ Investor Network on Climate Risk (INCR)/CERES
☐ Local Authority Pension Fund Forum
☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
VicSuper is a member of RIAA.

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
☐ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

RIAA provides us with access to knowledge sharing activities, conferences, training and information platforms. VicSuper was in attendance at RIAA's 2014 Responsible Investor conference.

- ☐ Shareholder Association for Research and Education (Share)
☒ United Nations Environmental Program Finance Initiative (UNEP FI)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☒ Moderate
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

VicSuper is currently a signatory to the UNEP FI. Through this signatory organisation, VicSuper has also become a signatory to the Natural Capital Declaration and has been appointed at the Vice-Chair of one of the Declaration's technical working groups.

- ☐ United Nations Global Compact
☒ Other collaborative organisation/initiative, specify
Australian Institute of Superannuation Trustees

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Commentary on involvement: VicSuper is a member of the Australian Institute of Superannuation Trustees (AIST). Our involvement in this industry association focuses primarily on Governance practices, information sharing and knowledge building within our industry. Each year we attend AIST conferences, participate in round table discussions and collaborate on submissions to Policy makers.

VicSuper also is a member of the Integrated Reporting Pension Network, a collaboration between AIST, ACSI, the IIRC and superannuation funds across the globe. The Network aims to facilitate transparent, comprehensive and balanced corporate reporting through the application of the Integrated Reporting Framework. For more information please see the AIST website: <http://www.aist.asn.au/>

- ☐ Other collaborative organisation/initiative, specify
- ☐ Other collaborative organisation/initiative, specify
- ☐ Other collaborative organisation/initiative, specify

OA 11

Mandatory

Core Assessed

PRI 4

OA 11.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

☒ Yes

OA 11.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- ☐ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- ☐ Provided financial support for academic or industry research on responsible investment
- ☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- ☒ Spoke publicly at events and conferences to promote responsible investment
- ☐ Wrote and published in-house research papers on responsible investment
- ☒ Encouraged the adoption of the PRI
- ☐ Other, specify

☐ No

OA 11.3

Additional information. [Optional]

VicSuper undertakes a number of independent activities to encourage and promote the adoption of responsible investment practices. As part of our due diligence process we ask our external managers to disclose information on how they integrate ESG into their investment processes. We also ask them to report back on progress in the form of investment case studies. We also ask them if they are already signatories to the PRI, and if not what they will commit to implementing in the near future.

Our investments, corporate sustainability and communications teams and our CEO often present at external events and industry conferences on the topics of responsible business practices, sustainability and approaches to

ESG integration. We believe that we have a role to play to ensure that our industry improves its performance with regard to ESG integration practices.

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.
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☒ Yes

☐ Yes, individually

☒ Yes, in collaboration with others

OA 12.2	Select the methods you have used.
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☒ Endorsed written submissions to governments, regulators or standard-setters developed by others

☐ Drafted your own written submissions to governments, regulators or standard-setters

☐ Participated in face-to-face meetings with government members or officials to discuss policy

☒ Other, specify

VicSuper is a member of The Future Economy Group. For further information see <http://www.futureeconomy.com.au/>

OA 12.3	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
---------	--

☒ Yes, publicly available

	provide URL
--	-------------

http://investorsonclimatechange.org/wp-content/uploads/2014/09/GlobalInvestorStatement2014_Final.pdf

	provide URL
--	-------------

<http://acsi.org.au/acsi-guidelines23/policy-submissions.html>

	provide URL
--	-------------

<http://www.aist.asn.au/policy/submissions/2014-collection.aspx>

☐ No

☐ No

OA 12.4	Additional information.
---------	-------------------------

VicSuper, through our association with ACSI and AIST, participates in collaborative industry based submissions to public policy makers. These submissions often cover ESG related issues. During the reporting period ACSI made submissions on behalf of its industry members on the Financial System Inquiry and AIST made submissions on behalf of its industry members on topics related to fund and industry governance.

VicSuper has directly engaged with the Victorian Government, and various political parties, regarding the State's future economy and it's reliance on Natural Capital. This engagement was undertaken through face to face meetings with public policy makers and Ministers. In October 2014, the Future Economy Group wrote to each of the three main political parties contesting the Victorian State election - the Coalition, Labor and Greens, outlining our proposed future economy policy agenda and inviting their response to a policy survey. A formal response was provided by each party to this survey and is available for view at <http://www.futureeconomy.com.au>

ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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OA 13.1	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
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☐ Yes

☒ No

OA 14	Voluntary	Descriptive	PRI 1
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OA 14.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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☒ Yes

OA 14.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.
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	% of total AUM
--	----------------

5.5

OA 14.3	Please specify which thematic area(s) you invest in and provide a brief description.
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	Area
--	------

☒ Clean technology (including renewable energy)

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☒ Private equity
- ☐ Property
- ☐ Infrastructure
- ☐ Forestry
- ☐ Farmland

Brief description of investment

VicSuper holds private equity investments in a number of clean tech funds. These are venture capital funds invested in companies that aim to produce environmentally efficient outcomes.

- ☐ Green buildings
- ☒ Sustainable forestry

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private equity
- ☐ Property
- ☐ Infrastructure
- ☒ Forestry
- ☐ Farmland

Brief description of investment

VicSuper holds a number of sustainable forestry investments. These include plantation timber, managed forests and other forestry assets managed for the production of pulp, chip, sawn timber and higher-value wood products.

- ☒ Sustainable agriculture

Asset class invested

- ☐ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private equity
- ☐ Property
- ☐ Infrastructure
- ☐ Forestry
- ☒ Farmland

Brief description of investment

In 2006 VicSuper resolved to invest in a landscape redevelopment project called 'Future Farming Landscapes' (FFL). FFL aims to hold a portfolio of land and water assets for the purpose of generating returns from a combination of agricultural activities and innovative water leasing products. The FFL project lies between Kerang and Swan Hill in the southern part of the Murray Darling Basin (MDB), a vital food-producing region of Australia.

This investment is delivered by Kilter Pty Ltd through its FFL model which involves earning income and building capital value through investment in farmland redevelopment, improved yield productivity and the delivery of water use solutions for agriculture and the environment.

FFL aims to generate more food and fibre utilising less land, less water and less management effort. Farmlands held by VicSuper are managed to create a resilient landscape - one which can cope with variable and constantly changing conditions and climate, while enhancing productivity, providing employment opportunities and improved environmental outcomes, delivering investment returns.

The objective is a large-scale investment that improves the productivity of farmland and maintains and enhances water use efficiency and ecosystems while delivering VicSuper long-term, stable, non-correlated, inflation-protected returns.

- ☐ Microfinance
- ☐ SME financing
- ☐ Social enterprise / community investing
- ☐ Affordable housing
- ☐ Education
- ☐ Global health
- ☐ Water
- ☒ Other area, specify

Carbon Aware Fund

Asset class invested

- ☒ Listed equity
- ☐ Fixed income - corporate
- ☐ Fixed income - government
- ☐ Private equity
- ☐ Property
- ☐ Infrastructure
- ☐ Forestry
- ☐ Farmland

Brief description of investment

The Carbon Aware Fund is a listed equity fund that broadly matches its index (the MSCI World ex-Australia Net Divs) and aims to achieve a carbon footprint that is 50% lower than the index.

☐ No

OA 14.4	Additional information.
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Portfolios such as State Street Global Advisors Integrated ESG International Equities Fund and Generation Investment Management Global Equity Fund were not included in the calculation, as they integrate rather than thematically target ESG. VicSuper encourages all active investment managers to integrate ESG factors into their decision making processes.

Asset class implementation not reported in other modules

OA 16	Voluntary	Descriptive	General
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OA 16.1	Describe how you address ESG issues for externally managed assets for which you are not required to report because your assets are below the minimum threshold.
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Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Fixed income - corporate	VicSuper selects Fixed income - corporate investment managers with an integrated approach to ESG issues.
Fixed income - government	In November 2012, VicSuper Fund, along with Barclays Capital, customised a new benchmark. The sovereign component of the benchmark applies a 10% individual country cap and a 30% collective cap on Euro countries. This index is then overlayed with the BlackRock Sovereign Risk Index, which identifies and categorises relevant fundamental drivers of government credit worthiness and also non-traditional factors such as fiscal space, financial sector health, willingness to pay and political risk.
Private equity	VicSuper classes a portion of its Private Equity investments as 'ESG themed'.
Property	VicSuper selects Property investment managers with an integrated approach to ESG issues.
Infrastructure	VicSuper selects Infrastructure investment managers with an integrated approach to ESG issues.
Forestry	VicSuper classes its Forestry investments as 'ESG themed'.
Farmland	VicSuper classes its Farmland investments as 'ESG themed'.

Innovation

OA 18	Voluntary	Descriptive	General
OA 18.1	Indicate whether any specific features of your approach to responsible investment are particularly innovative.		
<input type="radio"/> Yes <input checked="" type="radio"/> No			

Assurance of responses

OA 19	Voluntary	Additional Assessed	General
OA 19.1	Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.		
<input checked="" type="radio"/> Yes			

OA 19.2

Indicate who has reviewed, validated and/or assured your reported information.

- ☒ Reviewed by Board, CEO, CIO or Investment Committee
- ☒ Validated by internal audit or compliance function
- ☐ Assured by an external independent provider, specify name

OA 19.3

Describe the steps you have taken to review, validate and/or assure the content of your reported information.

This PRI submission has been subjected to internal peer review by our investments and sustainability team. VicSuper's internal compliance team has also reviewed and approved the submission. A high level briefing on the submission has also been provided to VicSuper's CEO.

☐ No

VicSuper

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

SAM 01	Voluntary	Descriptive	PRI 1-6
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SAM 01.1	Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.
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VicSuper's fiduciary duty is to optimise long term risk-adjusted returns for its members. To help us achieve that, we integrate Environmental, Social and Governance (ESG) factors into our manager selection, appointment and monitoring processes.

As part of the investment manager selection process, VicSuper questions potential managers on their approach to integrating ESG factors through a formal due diligence process.. VicSuper requests the following from investment managers:

- PRI signatory status
- Sustainability, ESG or responsible investment policy and explanation as to how ESG factors are integrated into their investment process;
- Case studies/examples of where ESG issues have contributed to a security buy/sell/hold decision;
- Whether third party ESG data (for example, MSCI) is used to inform company financial models/investment process/portfolio construction; and
- Proxy voting and engagement policy.

Our investment managers invest across many asset classes including equities, fixed interest, property, infrastructure and private equity and the extent to which ESG is considered differs across asset classes. ESG consideration is just one element of the manager selection process, which also includes factors such as investment performance, people, philosophy and culture.

On appointing the investment manager, where appropriate, contractual clauses specifically relating to ESG integration are included in relevant agreements to ensure that funds invested on our behalf align with our objectives. Each investment manager is subject to regular and periodic engagement to discuss investment performance. As part of these meetings discussions, ESG related risks and opportunities are discussed and case studies are presented where appropriate.

SAM 02	Mandatory	Core Assessed	PRI 4
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SAM 02.1	Indicate if your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers.
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☒ Yes

SAM 02.2	Indicate how your organisation uses investment consultants and/or fiduciary managers in the selection, appointment and/or monitoring of external managers. [Optional]
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☒ We use investment consultants in our selection and appointment of external managers

	Asset class
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☒ Listed Equity (LE)

☒ We use investment consultants in our monitoring of external managers

	Asset class
--	-------------

☒ Listed Equity (LE)

☐ We use fiduciary managers

SAM 02.3 Indicate if your organisation considers responsible investment in the selection, appointment and/or review processes for investment consultants and/or fiduciary managers.

☒ Responsible investment is included in the selection process for investment consultants

☐ Consultants' responsibilities in relation to responsible investment in manager selection, appointment and monitoring processes are included in our contractual agreements with them

☒ Responsible investment is considered when reviewing investment consultants' advice on manager selection and performance monitoring

☐ We do not consider responsible investment in the selection, appointment and/or review processes for investment consultants.

☐ No

SAM 03	Mandatory	Gateway	General
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SAM 03.1 Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring

Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Listed equity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Listed equity (LE), fixed income corporate (FIC) and fixed income government (FIG)

Overview

SAM 04	Mandatory to Report Voluntary to Disclose	Gateway/Peering	General
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SAM 04.1 Provide a breakdown of your externally managed listed equities, corporate fixed income and government fixed income by passive, active quant, active fundamental and other active strategies.

Listed equity (LE)

Type of strategy	As % of externally managed listed equity
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - quantitative (quant)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Active - fundamental and other active	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%

SAM 04.2 Additional information. [Optional]

VicSuper's 'core and satellite' investment approach

The 'core' for each asset class consists of passive, or enhanced passive, index investment mandates (i.e. the underlying assets are bought and sold infrequently). The 'satellites' are carefully selected and actively managed to try and exceed the returns of the market.

SAM 05	Mandatory	Gateway	PRI 1,2
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SAM 05.1 Indicate which of the following ESG incorporation strategies you encourage or require your external manager(s) to implement on your behalf:

Active investment strategies

Active investment strategies	LE		
Screening	<input checked="" type="checkbox"/>		
Thematic	<input type="checkbox"/>		
Integration	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Passive investment strategies

Passive investment strategies	LE		
Screening	<input type="checkbox"/>		
Thematic	<input type="checkbox"/>		
Integration	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

SAM 05.2

Indicate if - on your externally managed assets - you engage directly, via service providers, or via your external manager.

	LE	
We engage directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>	
We require our external managers to engage on our behalf	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	

SAM 05.3

Indicate if - on your externally managed listed equities - you cast your (proxy) votes directly, via service providers, or via your external manager.

	LE	
We cast our (proxy) votes directly or via service providers on our externally managed assets	<input checked="" type="checkbox"/>	
We require our external managers to cast our (proxy) votes on our behalf	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	

SAM 05.4

Additional information. [Optional]

The Carbon Aware Fund (international equities) applies a positive screen, making the portfolio 50% more carbon efficient than the benchmark.

For listed equity strategies we cast our votes via service providers or external fund managers.

Selection
SAM 06

Mandatory

Core Assessed

PRI 1-6

SAM 06.1

Indicate whether your organisation, and/or your investment consultant, in the manager selection process for listed assets, typically do any of the following:

General

	LE		
Review the manager's responsible investment policies	<input checked="" type="checkbox"/>		
Discuss managers' governance and management of responsible investment activities	<input checked="" type="checkbox"/>		
Meet staff with responsible investment responsibilities to assess their skills and competence	<input checked="" type="checkbox"/>		
Discuss minimum responsible investment expectations that managers must meet	<input type="checkbox"/>		
Discuss the role managers have played in collaborative initiatives	<input type="checkbox"/>		
Ask whether the organisation is a signatory to the PRI and/or other relevant organisations	<input checked="" type="checkbox"/>		
Review the manager's responsible investment reporting to clients and/or the public, including PRI reporting	<input checked="" type="checkbox"/>		
Discuss the type of ESG reporting you expect	<input checked="" type="checkbox"/>		
Assign specific weighting to ESG factors in your manager evaluation	<input type="checkbox"/>		
Other general aspects in your selection process, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Evaluate the quality and coverage of ESG research used by managers	<input type="checkbox"/>		
Assess how the manager incentivises brokers to provide ESG research	<input type="checkbox"/>		
Assess managers' ESG incorporation strategies and ability to identify and manage ESG issues	<input checked="" type="checkbox"/>		
Discuss with managers how ESG issues have impacted specific investment decisions and, where relevant, stock or portfolio performance	<input checked="" type="checkbox"/>		
Other ESG incorporation issues in your selection process, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Engagements

	LE	
Discuss the managers' engagement processes	<input checked="" type="checkbox"/>	
Discuss the role managers have played in influencing companies' ESG practices and performance	<input checked="" type="checkbox"/>	
Discuss how information gained through engagement is incorporated into investment decision-making	<input checked="" type="checkbox"/>	
Other engagement issues in your selection process, specify	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	

(Proxy) voting

	LE
Discuss the managers' voting processes	<input checked="" type="checkbox"/>
Discuss how information gained through research for (proxy) voting is used in investment-decision making	<input checked="" type="checkbox"/>
Other (proxy) voting issues in your selection process, specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

If you select any 'Other' option(s), specify

In addition to the questions that we ask in our standard due diligence process regarding the integration of ESG into investment decisions, VicSuper also asks the following questions of prospective investment/fund managers:

- Please provide a copy of your sustainability or environmental policy which articulates how ESG factors are integrated into your corporate operations; and
- Please provide details of initiatives you have put in place to improve your operational sustainability performance.

Appointment

SAM 07	Voluntary	Additional Assessed	PRI 4
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SAM 07.1

When appointing managers, indicate which of the following responsible investment considerations your organisation typically includes in investment management agreements/contracts for your listed assets:

General

	LE		
Acting in accordance with your organisation's overall investment beliefs or policy on responsible investment and ESG issues	<input checked="" type="checkbox"/>		
Other general RI considerations in investment management agreements, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Specific requirements relating to the incorporation of ESG issues into investment decision-making	<input checked="" type="checkbox"/>		
Other RI considerations relating to ESG incorporation in investment management agreements, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Engagement

	LE	
Specific requirements relating to engagement	<input type="checkbox"/>	
Other RI considerations relating to engagement in investment management agreements, specify	<input type="checkbox"/>	
None of the above	<input checked="" type="checkbox"/>	

(Proxy) voting

	LE
Specific requirements relating to (proxy) voting	<input checked="" type="checkbox"/>
Other RI considerations relating to (proxy) voting in investment management agreements, specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

Reporting

	LE		
Reporting on the agreed responsible investment activities	<input type="checkbox"/>		
Reporting on the ESG characteristics of the portfolio	<input type="checkbox"/>		
Reporting on the impact of ESG issues on financial performance	<input type="checkbox"/>		
Other RI considerations relating to reporting in investment management agreements, specify	<input type="checkbox"/>		
None of the above	<input checked="" type="checkbox"/>		

If you select any 'Other' option(s), specify

Some, but not all, investment management agreements include clause

Monitoring

SAM 08	Mandatory	Core Assessed	PRI 1
SAM 08.1	Indicate whether your organisation, and/or your investment consultant, in the dialogue and monitoring of your external manager typically do any of the following:		
	General		

	LE		
Include responsible investment as a standard agenda item at performance review meetings	<input type="checkbox"/>		
Highlight examples of good responsible investment practice by other managers	<input type="checkbox"/>		
Review the manager's responsible investment reporting, for example PRI-generated responsible investment reports	<input type="checkbox"/>		
Encourage your managers to consider joining responsible investment initiatives/organisations or participate in collaborative projects with other investors	<input checked="" type="checkbox"/>		
Include responsible investment criteria as a formal component of overall manager performance evaluation	<input type="checkbox"/>		
Request information on whether your manager's approach to ESG issues has impacted financial performance	<input type="checkbox"/>		
Request information on whether your manager's approach to ESG issues has impacted risk or volatility	<input type="checkbox"/>		
Request information on whether your manager's approach to ESG issues has impacted ESG performance	<input type="checkbox"/>		
Other general aspects of your monitoring, specify	<input checked="" type="checkbox"/>		
None of the above	<input type="checkbox"/>		

ESG incorporation

	LE		
Request information on ESG incorporation in specific investment decisions	<input checked="" type="checkbox"/>		
Other ways you monitor ESG incorporation, specify	<input type="checkbox"/>		
None of the above	<input type="checkbox"/>		

Engagements

	LE	
Review the ESG information relevant to the engagements	<input type="checkbox"/>	
Discuss the number of engagements and their comprehensiveness	<input type="checkbox"/>	
Discuss the type of role played (i.e. leading or supporting)	<input type="checkbox"/>	
Review the progress of ongoing engagements and/or outcomes of completed engagements	<input type="checkbox"/>	
Other ways you monitor engagement activities, specify	<input type="checkbox"/>	
None of the above	<input checked="" type="checkbox"/>	

(Proxy) voting

	LE
Review the number or percentage of votes cast	<input checked="" type="checkbox"/>
Request an explanation of reasons for votes cast	<input checked="" type="checkbox"/>
Discuss whether companies were informed of the reasons for votes against management recommendations or abstentions/withheld votes	<input checked="" type="checkbox"/>
Review the number of resolutions on ESG issues filed or co-filed	<input checked="" type="checkbox"/>
Discuss the changes in company practice (outcomes) that have been achieved from voting activities	<input checked="" type="checkbox"/>
Other ways you monitor (proxy) voting activities, specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

If you select any 'Other' option(s), specify

Investment managers are asked to provide case study examples of relevant and topical ESG issues. These case studies are either presented in a written format or through presentations at regular performance update meetings.

SAM 09

Mandatory

Core Assessed

PRI 2

SAM 09.1	For the listed equities where you have given your external managers a (proxy) voting mandate, indicate the approximate percentage (+/- 5%) of votes that were cast during the reporting year.
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☒ We track or collect this information

	Votes cast (to the nearest 5%)
--	--------------------------------

	%
--	---

100

	Specify the basis on which this percentage is calculated
--	--

- ☒ Of the total number of ballot items on which they could have issued instructions
- ☐ Of the total number of company meetings at which they could have voted
- ☐ Of the total value of your listed equity holdings on which they could have voted
- ☐ We do not track or collect this information

Outputs and outcomes

SAM 14	Mandatory to Report Voluntary to Disclose	Descriptive	PRI 1-6
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SAM 14.1	Indicate approximately what percentage (+/- 10%) of your externally managed assets are managed by PRI signatories.
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	%
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77

SAM 15	Voluntary	Descriptive	PRI 2
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SAM 15.1	Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.
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☒ Add Example 1

Topic or issue	PRI signatory status, reporting and advocacy
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity
Scope and process	<p>As part of VicSuper's standard due diligence process, investment managers under consideration are required to provide answers to the following questions:</p> <ul style="list-style-type: none"> • Is your organisation a signatory to the PRI? • If not, please explain why not. • If so, please supply a copy of your PRI annual report. <p>VicSuper requires all potential investment managers to formally respond in writing to each of these questions with supporting documentary evidence. Material aspects of responses are then also discussed in face to face meetings.</p>
Outcomes	<p>The above due diligence questioning process provides VicSuper with information on which it can make informed decisions and judgments on alignment in approach and objectives.</p> <p>Where potential fund managers have not yet signed up to the PRI, this line of questioning allows us to influence change and improvement in their approach through advocacy for the PRI.</p>

☒ Add Example 2

Topic or issue	Corporate sustainability
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity
Scope and process	<p>As part of VicSuper's standard due diligence process, investment managers under consideration are required to provide answers to the following questions:</p> <ul style="list-style-type: none"> • Please provide a copy of your sustainability or environmental policy which articulates how sustainability factors are integrated into your corporate operations. • Please provide details of initiatives have you put in place to improve your operational sustainability performance. <p>VicSuper requires all potential investment managers to formally respond in writing to each of these questions with supporting documentary evidence. Material aspects of responses are then also discussed in face to face meetings.</p>
Outcomes	<p>The above due diligence questioning process provides VicSuper with information on which it can make informed decisions and judgments on alignment with our broader corporate sustainability objectives.</p> <p>It is important that all of our material suppliers align with our sustainability values. For VicSuper misalignment in supplier brand and corporate behaviour presents a reputational risk to our business. Ensuring that our suppliers are committed to the management and integration of all their sustainability impacts is an important part of our procurement process.</p>

☒ Add Example 3

Topic or issue	ESG governance and integration
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity
Scope and process	<p>As part of VicSuper's standard due diligence process, investment managers under consideration are required to provide answers to the following questions:</p> <ul style="list-style-type: none"> • Please provide a copy of your sustainability, ESG or investment policy which articulates how ESG factors are integrated into the investment process. • Please provide at least 2 case studies / examples of where ESG issues contributed to a security buy / sell / hold decision. <p>VicSuper requires all potential investment managers to formally respond in writing to each of these questions with supporting documentary evidence. Material aspects of responses are then also discussed in face to face meetings.</p>
Outcomes	<p>The above due diligence questioning process provides VicSuper with information on the potential investment manager's approach to ESG governance and implementation activities.</p> <p>All potential investment managers are required to demonstrate that they have a formal policy commitment in place that clearly articulates how the organisation integrates ESG into its investment decision making processes. VicSuper does not specify what this policy should include as we want to encourage flexibility and innovation in our sector. We do however review the policy to ensure that it aligns with our overall objectives and requirements.</p> <p>The provision of ESG integration case studies allows us to make an assessment of how policy frameworks are lived out in day to day practices and decisions. These case studies facilitate proactive discussions on good practice and the challenges associated with the consideration of ESG risks. This process also allows for peer to peer information and knowledge sharing of industry best practice approaches.</p>

☒ Add Example 4

Topic or issue	Integration of ESG data and research into investment models
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity
Scope and process	<p>As part of VicSuper's standard due diligence process, investment managers under consideration are required to provide answers to the following questions:</p> <ul style="list-style-type: none"> • Does your organisation purchase ESG data from a 3rd party vendor? • If yes, please name the 3rd party and explain the investment process of integrating 3rd party data into company financial models / investment process / portfolio construction. • If no, please articulate how ESG data (if relevant) is collected and the sources of ESG data? Please articulate how ESG information is integrated into investment models? <p>VicSuper requires all potential investment managers to formally respond in writing to each of these questions with supporting documentary evidence. Material aspects of responses are then also discussed in face to face meetings.</p>
Outcomes	<p>The above due diligence questioning process allows VicSuper to make an informed assessment on the robustness of ESG data and research model inputs.</p> <p>All potential investment managers are required to demonstrate that the sources of ESG data and research that they use to inform their risk assessments and modeling is from a reputable and up to date sources. We do not specify where this data and research is sourced, but if the source is deemed inappropriate we are able to influence a change in providers or an upgrading of the source.</p> <p>This line of questioning also enables VicSuper to make an assessment as to whether this ESG data and research is adequately integrated into investment modeling activities. Proactive engagement on this topic also allows us to share best practice information and knowledge where opportunities for improvement are identified.</p>

☒ Add Example 5

Topic or issue	Proxy voting and engagement
Conducted by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Investment consultants
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity
Scope and process	<p>As part of VicSuper's standard due diligence process, investment managers under consideration are required to provide answers to the following questions:</p> <ul style="list-style-type: none"> Please provide a copy of your proxy voting and engagement policy. Do you purchase proxy voting advice from a 3rd party provider (if so, please provide the name)? <p>VicSuper requires all potential investment managers to formally respond in writing to each of these questions with supporting documentary evidence. Material aspects of responses are then also discussed in face to face meetings.</p>
Outcomes	<p>The above due diligence questioning process allows VicSuper to make an informed assessment on the the potential investment manager's approach to voting and engagement activities. Discussion of this response in face to face meetings, where appropriate, allows both parties to ensure that there is an alignment in approach and objectives.</p>

Communication

SAM 16	Mandatory	Core Assessed	PRI 6
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SAM 16.1

Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.

☒ Yes, we disclose information publicly

provide URL

<http://www.vicsuper.com.au/Investments/Investment-strategy/ESG-integration.aspx>

provide URL

<http://www.vicsuper.com.au/About-us/Reports.aspx>

SAM 16.2

Indicate if the level of information you disclose to the public is the same as that disclosed to clients and/or beneficiaries.

☒ Yes

SAM 16.3

Indicate what type of information your organisation proactively discloses to the public and clients and/or beneficiaries about your indirect investments.

- ☒ How responsible investment considerations are included in manager selection, appointment and monitoring processes
- ☒ Details of the responsible investment activities carried out by managers on your behalf
- ☒ E, S and/or G impacts and outcomes that have resulted from your managers' investments and active ownership
- ☐ Other, specify

☐ No

☐ Yes, we disclose information to clients/beneficiaries only

☐ We do not proactively disclose information to the public and/or clients/beneficiaries

SAM 16.4

Additional information. [Optional]

VicSuper openly discloses information on how we integrate ESG into our investment decision making processes on our website. A performance update on our ESG integration activities is also provided in our Annual Performance Report.

VicSuper

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2
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LEA 01.1 Provide a brief overview of your organisation's approach to engagement.

Company engagement is a key way in which VicSuper can act to safeguard the long-term value of investments on behalf of members. We use qualified third parties to identify and assess and engage on risks to the long-term value of Australian and international companies in which we invest.

VicSuper retains Regnan Governance Research and Engagement Pty Ltd (Regnan), an engagement and ESG research service provider, to engage with Australian listed companies on our behalf. With the assistance of detailed in-house company research, Regnan aims to identify and assess sustainability and corporate governance risks to medium-term and long-term shareholder value in listed Australian companies. Following this, Regnan enters into dialogue with company management to influence positive change in company behaviour to enhance shareholder value.

Company engagement with ASX300 companies on a range of ESG investment risks, is also undertaken through membership of the Australian Council of Superannuation Investors (ACSI). ACSI is a collaborative membership organization of 37 funds, who invest over AUD\$1.6 trillion in assets under management. Engagement is typically undertaken in person by ACSI's analysts directly with the boards of ASX300 companies.

VicSuper retains UK-based Hermes Equity Ownership Services (Hermes EOS) to engage listed international companies in which we invest as well as regulatory bodies and other intermediaries. Hermes EOS undertakes a slightly different process to Regnan in its assessment of environmental, social and corporate governance risks, but they share the same objective for sustained increase in shareholder value.

These firms seek to work with companies to achieve a better outcome for VicSuper and VicSuper Fund members - for example, improving a company's transparency or disclosure on a particular issue, or helping to embed more sustainable practices into a company's strategic plan and operations.

LEA 02	Mandatory	Gateway	PRI 1,2,3
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LEA 02.1 Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via service providers

LEA 02.2 Additional information. [Optional]

VicSuper do not undertake direct company engagement via internal staff. Instead, we engage profession service partners to undertake engagement with our Australian and International equity portfolios on our behalf. Our service providers engage on ESG issues and collaborative work with companies we invest in, to achieve positive change.

VicSuper staff attend industry forums and collaborative sessions in order to better understand key ESG issues and advocate for improved disclosure and communication.

Process

Process for engagements conducted via collaborations

LEA 05	Mandatory	Core Assessed	PRI 2
LEA 05.1	Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.		
<div><div><input type="radio"/> Yes</div><div><input checked="" type="radio"/> No</div></div>			
LEA 06	Mandatory	Core Assessed	PRI 2

LEA 06.1	Indicate if the collaborative engagements in which you are involved have defined objectives.
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- ☒ Yes
- ☐ Yes, for all collaborative engagement activities
 - ☐ Yes, for the majority of collaborative engagement activities
 - ☒ Yes, for a minority of collaborative engagement activities
- ☐ No

LEA 06.2	Indicate if you monitor the actions companies take following your collaborative engagements.
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- ☐ Yes
- ☒ No

LEA 06.4	Additional information. [Optional]
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VicSuper collaborates and shares knowledge with other organisations and institutional investors on major investment-related risks and opportunities (e.g. climate change, corporate governance and business ethics) by participating in a number of initiatives. We also collaborate with relevant industry groups including:

- IGCC - The Investor Group on Climate Change (IGCC) is an investor-led organization, which aims to encourage government policies and investment practices that address the risks and opportunities of climate change for the benefit of members and unit holders.
- ACSI - The Australian Council of Superannuation Investors (ACSI) provides independent research and advice to assist its member superannuation funds to manage ESG investment risk.

Periodically, our investment managers also organise industry based collaborative roundtable discussions to engage with Boards, CEOs etc on ESG issues. VicSuper participates in these open discussions which provide an avenue to influence change and share knowledge.

Process for engagements conducted with/on your behalf by service providers

LEA 07	Mandatory	Core Assessed	PRI 2,4
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LEA 07.1	Indicate if you play a role in the engagement process that your service provider conducts on your behalf.
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- ☒ Yes

LEA 07.2	Indicate what role you play in engagements that your service provider conducts on your behalf.
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- ☐ Specify the issues for the engagement
- ☐ Specify the objectives for the engagement
- ☐ Select the companies to be engaged with
- ☐ Participate directly in the engagements with your service provider
- ☒ Actively monitor and review the activities of the service provider
- ☐ Other, specify

- ☐ No

LEA 08	Mandatory	Core Assessed	PRI 2,6
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LEA 08.1	Indicate whether you monitor and/or discuss the following information provided to you by your service provider
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Please select all that apply

- ☒ The subject (or ESG issue(s)) of engagement
- ☒ The objectives of the engagement
- ☒ The rationale for engagement
- ☒ The frequency/intensity of interactions with companies
- ☒ Progress towards achieving engagement goals
- ☒ Outcomes that have been achieved from the engagement
- ☒ Next steps for engagement activity
- ☐ Other, specify
- ☐ None of the above

LEA 08.2	Additional information. [Optional]
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Each year our service providers Regnan and Hermes EOS provide us with an engagement plan proposal. This proposal is reviewed, discussed and agreed with each service provider. Throughout the year VicSuper is provided with engagement activity updates and a formal report of outcomes achieved at the end of each year. The outcomes of this engagement, supported by further research, are used to shape the following years' engagement activities.

ACSI annually creates a list of engagement priority companies with specifically defined concerns and objectives for each company. Objectives are meaningful changes in company behavior. ACSI also sets objectives for the proportion of all priority companies where objectives are met (for example, ACSI may aim for over 50% of all priority companies' objectives to be met).

Monitoring and evaluation is done through semiannual progress reports, itemized company by company and in aggregate, which are delivered to member funds.

Inbound engagements with companies that are not on the priority list also involve specific objectives, though typically less material. Monitoring of these is done through annual evaluation by ACSI's Member Council, and a range of internal reports.

General processes for all three groups of engagers

LEA 09	Voluntary	Additional Assessed	PRI 1,2
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LEA 09.1	Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.
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Type of engagement	Insights shared
Collaborative engagements	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No
Service provider engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 09.2 Additional information.

VicSuper shares the outcomes of engagement activities through a number of different avenues. These formal mechanisms include team meetings, email updates to the team, sharing of end of year reports and reporting on performance and engagement activities in the VicSuper Annual Performance Report.

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1 Indicate if you track the number of engagements your organisation participates in.

Type of engagement	Tracking engagements
Collaborative engagements	<input type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input checked="" type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Service provider engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

LEA 10.2 Additional information. [Optional]

Regnan, ACSI and Hermes EOS regularly provide reports giving full disclosure on the number of engagements and themes of engagement conducted on our behalf.

Outputs and outcomes

LEA 11	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 2
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LEA 11.1

Indicate the number of companies with which your organisation engaged during the reporting year.

	Number of companies engaged (avoid double counting, see explanatory notes)
Collaborative engagements	4
Service provider engagements	404

LEA 11.2

Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]

Type of engagement	% Comprehensive engagements
Collaborative engagements	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Service provider engagements	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 11.3

Indicate what percentage of your collaborative engagements you were a leading organisation on during the reporting year. [Optional]

Type of engagement	% Leading role
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

LEA 11.4

Indicate for which part of your service provider engagements you were highly involved during the reporting year. [Optional]

Type of engagement	% High involvement
Service provider engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

LEA 11.5 Additional information. [Optional]

VicSuper was involved in a collaborative engagement regarding financed emissions with the big four Australian banks.

LEA 12 Voluntary Additional Assessed PRI 2

LEA 12.1 Indicate if your engagements in the reporting year covered E, S and/or G issues.

Type of engagement	Coverage
Collaborative engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Service provider engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

LEA 12.2 Provide an estimated breakdown by E, S and/or G issues.

Collaborative engagements

% Environmental only

0

% Social only

0

% Corporate Governance only

0

	% Overlapping ESG issues
--	--------------------------

100

100%

	Service provider engagements
--	------------------------------

	% Environmental only
--	----------------------

8.0

	% Social only
--	---------------

14.0

	% Corporate Governance only
--	-----------------------------

38.0

	% Overlapping ESG issues
--	--------------------------

40.0

100%

LEA 12.3	Additional information.
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VicSuper was involved in a collaborative engagement regarding financed emissions, with the four big Australian banks.

LEA 13	Voluntary	Descriptive	PRI 2
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LEA 13.1	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
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☒ Yes

LEA 13.2	Indicate the number of companies that changed or committed to change in the reporting year following your organisation's and/or your service provider's engagement activities.
-----------------	--

	Number of company changes or commitments to change
Collaborative engagements	1
Service provider engagements	175

☐ No

LEA 13.3	Additional information.
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Hermes reported that changed is observed in 153 out of the 285 companies engaged with in 2014.

Australian companies were engaged by either Regnan or ACSI. Regnan reports that 22 of the 45 companies engaged, have demonstrated changed practices. ACSI is yet to assess for a significant number of companies to determine whether they have changed practices. Others are companies where ACSI engaged following recommending votes against but where the company has not yet had a subsequent meeting or where an engagement with a company was to inform them of an assessment but where an immediate change in practice was not sought.

The collaborative engagement relating to financed emissions received one formal response providing further context on their approach to disclosing information on financed emissions.

LEA 14	Voluntary	Descriptive	PRI 2
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LEA 14.1	Provide examples of the engagements that your organisation carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	Environment - Climate change exposure via lending
Conducted by	<input checked="" type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Engagement with financial institution to secure disclosure of fossil fuel exposure within lending books, project finance, and corporate debt instruments, referencing reporting standards set out in the GHG Value Chain Protocol (Scope3) and Carbon Disclosure Project.</p> <ul style="list-style-type: none"> Information available through market disclosures is generally sufficient to determine direct exposure to unburnable carbon risk for ASX companies holding fossil fuel assets. Disclosure across ASX-listed banks and financiers to the fossil fuel sector however, is currently limited. Australian banks/lending institutions have significant loan book/debt exposures to the fossil fuel and thermal coal power industry. Whilst corporate lending terms are not typically for the life of the asset, repayment relies on a reliable exit route via refinance or asset sales, and therefore subject to long term loan impairment expenses should negative sentiment and/or regulatory developments affect reserve value.
Scope and Process	Regnan was behind efforts to give more weight to other investor voices , and to sharpen communications around risks to long-term shareholder value.
Outcomes	The financial institution has made a public commitment to report carbon exposure in its lending book, which is considered a significant win given the stock is known to have the largest fossil fuel exposure among major banks in Australia. It's expected that this reporting commitment will place pressure on the other major banks to follow suit to avoid reputation damage from increasing activism on carbon finance.

☒ Add Example 2

Topic or ESG issue	Social - Human Capital - Low levels of diversity at board and senior executive and senior management levels.
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	<p>Strong human capital management (HCM) is important for attracting and retaining talented individuals in the financial services industry. Retention of women has been problematic for other companies in the sector, so we believe that continued improvement is necessary to mitigate talent retention risks, particularly given that it competes for talent with the wider financial sector. Regnan notes risks to morale and staff engagement levels with efficiency initiatives currently being implemented, potentially impacting service quality and customer retention in a business that relies on strong customer satisfaction. While incremental improvements have been made since initiation of mandate in 2011, disclosure of a broader suite of HCM performance metrics, including trends, would provide a basis for a more complete external assessment of HCM performance risks.</p>
Scope and Process	Repeated engagement over multiple years at both board and management levels, mostly face to face.
Outcomes	<p>Significant progress made on attention to HCM and diversity. High levels of employee engagement are now central to successful execution of company strategy. Commitments to improving gender diversity now embedded in recruiting, training and performance review, and % of women in senior leadership roles up to 36% from 30% in 2011 (target 40% by 2017), and now shifting focus on mature aged workers and those with disabilities. Disclosure has improved, with engagement, enablement, turnover and return to work from mat leave figures now available for past 4 years and all trending up. Customer satisfaction across all 8 divisions is also trending up since 2011.</p>

☒ Add Example 3

Topic or ESG issue	Labour and Human Rights - Supply chain risks in consumer discretionary stocks
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Enhanced company disclosure of Labour and Human Rights policies, with a specific focus on consumer discretionary stocks.
Scope and Process	<p>ACSI engaged with six companies identified via two commissioned research reports for high exposure to labour and human rights risks with relatively low disclosure of policy.</p> <p>Letters were written to companies, followed by further written correspondence and face to face meetings.</p>
Outcomes	Five of the six companies improved their disclosures or practices, or have at least made commitments to do so. One company remains completely recalcitrant.

☒ Add Example 4

Topic or ESG issue	Environment - Carbon asset risk
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	An explanation of the company's position on key carbon risk management issues, including long term scenario planning, use of 'shadow' carbon pricing, government interactions and public policy and position on technological innovations or distributions.
Scope and Process	ACSI selected five large cap diversified mining companies and vertically integrated energy companies. Unlike other engagement topics, the purpose was to get an adequate explanation of the company's risk management process and not to seek a particular change in practice at this point.
Outcomes	At year end, ACSI had engaged to its satisfaction with three of the five companies. First discussions had been held with the other to companies and follow up meeting had been organized for the first half of 2015.

☒ Add Example 5

Topic or ESG issue	Sustainability reporting
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Improved annual reporting of ESG risks.
Scope and Process	<p>86 companies were identified through ACSI's research to have basic or no reporting on ESG risks in annual disclosures.</p> <p>Letters were written and sent to each company, detailing the areas that require improvement and providing guidance on disclosure frameworks. Best practice reporters were also commended in writing.</p> <p>Additionally, ACSI has collaboratively written to the four major banks in Australia calling for improved disclosure on "financed emissions" - that is, GHG emissions by companies to whom they provide financing.</p>
Outcomes	<p>ACSI is yet to formally reassess the disclosures made by these companies; this will be done in 2015. However around 40% responded to ACSI's letters and numerous follow up engagements have been held.</p> <p>Each of the four banks have made commitments to work collaboratively improve reporting on financed emissions.</p>

☒ Add Example 6

Topic or ESG issue	Corporate governance
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Improve specific company practices in governance of (a) Executive remuneration (b) Directors and board composition; and (c) Capital raising practices
Scope and Process	ACSI engaged with 20 priority companies on one or more of these governance issues, which were identified through past proxy voting research and recommendations. Typically, letters were written to the companies with the majority of these becoming catalysts for face to face engagement meeting with board members.
Outcomes	Around 80% of the specific issues identified were at least partly resolved during the year.

☒ Add Example 7

Topic or ESG issue	Governance – board structure
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	To improve corporate governance standards worldwide, in particular to manage risk effectively. A good board structure is essential to this. Company boards should comprise independent members who are equipped with the right skills. Ideally each board member will enhance the diversity of the board, be it by gender, ethnicity, nationality, background or skillsets. Regular board refreshment - the avoidance of long tenures - and succession planning are also crucial.
Scope and Process	Longstanding engagements with companies have given Hermes EOS access to executive and non-executive board members of companies that were reluctant to engage in the past. Hermes EOS' good relationships with companies proved fruitful for the continuation of dialogue on board structure and recruitment processes. Companies explained the rationale behind their current board structure before Hermes EOS suggested improvements where applicable. Sometimes Hermes EOS also drew on the support of other institutional investors - or filed shareholder proposals in the US to seek proxy access or appoint an independent chair - to meet its objectives. Hermes EOS also engaged with the relevant regulatory bodies in different jurisdictions on board structures.
Outcomes	Hermes EOS' engagement in 2014 helped facilitate substantial changes to companies' board structure in line with what it had called for. Where the roles of chair and CEO could not be undertaken by separate individuals, Hermes EOS pushed for lead independent directors to be in place to provide some counterbalance. Several companies in Hermes EOS' engagement programme appointed such individuals in 2014. Hermes EOS also contributed to board appointments to protect the rights of minority shareholders. Hermes EOS suggested that a process of formal board evaluation be instigated and regularly undertaken where this was not previously done. It particularly welcomed appointments of individuals that enhanced the diversity and skillsets of the boards.

☒ Add Example 8

Topic or ESG issue	Social and ethical – Supply chain
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	To improve corporate governance standards worldwide, in particular to manage risk effectively. A good board structure is essential to this. Company boards should comprise independent members who are equipped with the right skills. Ideally each board member will enhance the diversity of the board, be it by gender, ethnicity, nationality, background or skillsets. Regular board refreshment - the avoidance of long tenures - and succession planning are also crucial.
Scope and Process	Hermes EOS engaged with several global retailers on their supply chains. As part of the engagement, Hermes EOS visited the supplier factories of four global retailers in Bangladesh where it gained first-hand impressions of the lives and working conditions of their factory employees. Hermes EOS noticed that the Accord on Fire and Building Safety in Bangladesh and the Alliance for Bangladesh Worker Safety initiatives that were launched in the wake of the 2013 Rana Plaza building collapse appear to have greatly improved building safety in the country. In addition to engaging with the companies on the ground in Bangladesh and with their head offices, Hermes EOS met NGOs, representatives of the initiatives and other key stakeholders to press for education of the industry on health and safety, the fair living wage, environmental issues and the empowerment of women.
Outcomes	As a result of its good relationship with one global retailer, Hermes EOS was the first investor representative to visit the company in Bangladesh on a one-to-one basis. That retailer has worked very hard to reduce the human rights risks in its Bangladeshi supply chain. Hermes EOS is also optimistic that the company's dedication to ethical behaviour and supply chain integrity will encourage it to better manage its human resources at home. Its announcement to increase the pay of many of its home market staff and to substantially invest in staff training and career development confirmed that optimism. The other three retailers whose factories Hermes EOS visited also showcased good and best practice management of supply chains and health and safety and demonstrated long-term alignment with its thinking.

☒ Add Example 9

Topic or ESG issue	Environmental – Land use change
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	To promote careful management of environmental risks arising from forestry and agricultural operations, including direct operations and dependency on other operations through the supply chain.
Scope and Process	Hermes EOS raised concerns with companies involved in the plantation of palm oil. Noting a lack of public disclosure of sustainability issues at one company in particular, Hermes EOS urged it to publish a policy commitment, emphasising the significance of reputational risks faced by palm oil producers. Hermes EOS discussed the company's progress in obtaining certification from the Roundtable on Sustainable Palm Oil (RSPO) for all of its plantations to ensure that the company was on track to meet its targets.
Outcomes	In July 2014, the company - together with several other palm oil growers and traders - published the Sustainable Palm Oil Manifesto. The manifesto commits the companies to refrain from deforestation of high carbon stock (HCS) forest, to create traceable and transparent supply chains and to protect peat areas. This was followed by an announcement that these companies would halt development of potential HCS areas while an HCS study is underway. In addition the company informed Hermes EOS that it obtained RSPO certification for all of its plantations and mills in Malaysia and that it is on track to achieve its 2015 target for Indonesia. The company also published its first sustainability policy and will engage with its contractors and suppliers to ensure their adherence to the policy.

☐ Add Example 10

Communication

LEA 15	Mandatory	Core Assessed	PRI 2,6
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LEA 15.1 Indicate whether your organisation proactively discloses information on its engagements.

☉ We disclose it publicly

provide URL

<http://www.vicsuper.com.au/Investments/Investment-strategy/ESG-integration/Engagement-and-proxy-voting.aspx>

	provide URL
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<http://annualreport.vicsuper.com.au/Making-sound-investment-decisions/ESG-integration.aspx>

LEA 15.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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☒ Yes

LEA 15.3	Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.
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	Engagement information disclosed
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- ☒ Details of the selections, priorities and specific goals of engagement
- ☒ Number of engagements
- ☒ Breakdown of engagements by type/topic
- ☒ Breakdown of engagements by region
- ☐ An assessment of the current status of the engagement
- ☒ Outcomes that have been achieved from the engagement
- ☐ Other information

LEA 15.4	Indicate how frequently you typically report engagements information.
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- ☐ Disclosed continuously (prior to and post engagements)
- ☐ Disclosed quarterly
- ☒ Disclosed annually
- ☐ Disclosed every two years or less
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

LEA 15.8	Additional information. [Optional]
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In addition to providing disclosure on engagement in our Annual Performance Report, Hermes EOS quarterly engagement reports are available for download on VicSuper's website.

(Proxy) voting and shareholder resolutions

Overview

LEA 16	Voluntary	Descriptive	PRI 2
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LEA 16.1	Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).
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VicSuper plays a part in influencing the governance and corporate behaviour of the listed companies in which we invest by voting (through third parties and investment managers) at their company general and extraordinary meetings. Our active participation in the voting process ensures that our members' interests are protected. Matters that VicSuper has the opportunity to influence through proxy voting includes:

- The appointment of directors and auditors;
- The remuneration of directors and executives; and
- The approval of annual financial reports and capital transactions (such as takeovers and mergers with other companies).

To act or vote on issues surrounding the management of a particular company at shareholder meetings, VicSuper is advised by the Australian Council of Superannuation Investors (for our Australian equities portfolio). This advice is based on a set of Governance Guidelines which were specifically created by ACSI members including VicSuper.

Individual fund managers of our Australian listed equities are retained to vote on our behalf.

Hermes EOS undertakes proxy voting of international listed equities held in the Vanguard passive international equities portfolio, the Analytic Investors Global Managed Volatility Fund and the State Street Global Advisors Integrated ESG International Equities Fund on behalf of the Trustee, according to their corporate governance principles. Individual fund managers of our remaining international listed equities are retained to vote on our behalf.

Process

LEA 17	Mandatory	Descriptive	PRI 2
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LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.
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	Approach
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- ☐ We use our own research or voting team and make our own voting decisions without the use of service providers.
- ☐ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- ☒ We hire service provider(s) which make voting decisions on our behalf.

	Based primarily on
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- ☒ the service provider voting policy signed off by us
- ☐ our own voting policy
- ☐ our clients requests or policy
- ☐ other, explain

LEA 17.2	Additional information.[Optional]
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Our Governance and Proxy Voting Policy is available on the VicSuper website:

<http://www.vicsuper.com.au/Investments/Investment-strategy/ESG-integration/Engagement-and-proxy-voting.aspx>

ACSI's voting advice to VicSuper covers the ASX200. It is based on a set of Governance Guidelines which were specifically and collaboratively created by ACSI members to represent their interests. The Guidelines are used by management to arrive at their voting recommendations.

Full members of ACSI are able to participate in biennial revisions of the Governance Guidelines.

LEA 19	Voluntary	Descriptive	PRI 2
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LEA 19.1	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.
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- ☐ Obtain confirmation that votes have been received by the company:
- ☐ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☒ None of the above

LEA 20	Voluntary	Additional Assessed	PRI 2
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LEA 20.1	Indicate if your organisation has a securities lending programme.
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- ☒ Yes

LEA 20.2	Indicate how voting is addressed in securities lending programme.
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Please select one of the following

- ☒ We recall most securities for voting on all ballot items
- ☐ We recall some securities for voting on some ballot items on a systematic basis in line with specified criteria
- ☐ We occasionally recall some securities for voting on some ballot items on an ad-hoc basis
- ☐ We empower our securities lending agent to decide when to recall securities for voting purposes
- ☐ We do not recall our shares for voting purposes
- ☐ Other (please specify)
- ☐ No

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
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- ☒ Yes, in most cases
- ☐ Sometimes, in the following cases:
- ☐ No
- ☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

LEA 21.2	Additional information. [Optional]
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Hermes EOS provides 'intelligent voting' services to VicSuper. This means that all proxies are voted in line with the individual circumstances of the company, rather than using a 'box ticking' approach or as a compliance-driven activity. In addition, Hermes EOS communicates with companies where it is considering voting, or has voted, against management. The vote is considered as an annual governance health check and voting work is strongly linked with corporate engagement. The vote is not perceived as an end in itself but rather as a mechanism which encourages further change where required. Consistent with Hermes EOS's 'intelligent voting' approach, this typically forms part of a wider engagement with the company and is used as a tool for leverage in its dialogue with management.

Our Australian equities managers do their own voting but VicSuper maintain the right to override the vote if required.

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
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LEA 22.1	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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☒ We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

100

	Specify the basis on which this percentage is calculated
--	--

- ☒ of the total number of ballot items on which you could have issued instructions
- ☐ of the total number of company meetings at which you could have voted
- ☐ of the total value of your listed equity holdings on which you could have voted

☐ We do not track or collect this information

LEA 22.3	Additional information. [Optional]
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Our service provider Hermes EOS submits vote instructions on all ballots available to vote in the portfolios for which we have subscribed to their proxy voting service

LEA 23	Voluntary	Descriptive	PRI 2
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LEA 23.1	Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.
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☒ Yes, we track this information

LEA 23.2

Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	<div> <div></div> <div>%</div> </div> 92.6
Against (opposing) management recommendations	<div> <div></div> <div>%</div> </div> 7
Abstentions	<div> <div></div> <div>%</div> </div> .4

100%

LEA 23.3

For the reporting year, describe your approach towards voting on shareholder resolutions.

VicSuper generally follows the advice of our managers/service providers regarding shareholder resolutions. On occasions, where an issue requires further attention or understanding, VicSuper engages with our managers/service providers to discuss and understand the rationale for voting on shareholder resolutions.

Our external provider ACSI, provides and analysis of shareholder resolutions on a case-by-case basis in the Australian market. ACSI will generally favour those proposals that result in the disclosure of information that is useful to shareholders and not overly prejudicial to their commercial interests. Resolutions should be linked to improved governance or transparency within the relevant company. A judgment on each proposal will be based on what is in the best interest of shareholders, and a thorough assessment of any potential impacts on the company.

Hermes EOS files shareholder proposals on VicSuper's behalf in markets where it is relevant to do so, typically in Germany and the US, either as lead filer or as co-filer alongside other investors. Consistent with Hermes EOS's 'intelligent voting' approach, this typically forms part of a wider engagement with the company and is used as a tool for leverage in its dialogue with management.

☐ No, we do not track this information

LEA 24**Voluntary****Descriptive****PRI 2****LEA 24.1**

Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

☒ Yes

LEA 24.2

Indicate the number of ESG shareholder resolutions you filed or co-filed.

	Total number
--	--------------

3

75

LEA 24.3 Indicate what percentage of these ESG shareholder resolutions.

Went to vote	<div><div></div></div> % 0
Were withdrawn due to changes at the company and/or negotiations with the company	<div><div></div></div> % 100
Were withdrawn for other reasons	<div><div></div></div> % 0

<div><div></div></div>	Total
100%	

LEA 24.4 Of the ESG shareholder resolutions that you filed or co-filed and that were put to vote (i.e. not withdrawn) how many received:

<div><div></div></div>	>50% approval
0	
<div><div></div></div>	50-20% approval
0	
<div><div></div></div>	<20% approval
0	

LEA 24.5 Describe the ESG shareholder resolutions that you filed or co-filed and the outcomes achieved.

Hermes EOS is not in a position to disclose details of shareholder proposal discussions relating to resolutions which do not go to a shareholder vote. However in order to withdraw a proposal we expect a company to engage in constructive dialogue and take steps which materially address all or part of our underlying concerns.

In 2014 the following companies saw shareholder proposals (co-)filed by Hermes EOS which were subsequently withdrawn:

International Business Machines Corporation, Wal-Mart Stores, Inc.& The Walt Disney Company

☐ No

LEA 24.6	Additional information.
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The resolutions referred to above were co-file by Hermes EOS but subsequently withdrawn.
No resolutions were filed via ACSI.

LEA 25	Voluntary	Descriptive	PRI 2
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LEA 25.1	Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	Governance - Remuneration
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Ensure alignment of executive and shareholder interests, and appropriate board oversight.
Scope and Process	ACSI provided our fund with voting advice on remuneration related resolutions at each ASX200 company. (At least one remuneration vote is held each by each company per year.) See additional information below for description of process.
Outcomes	Among the larger ASX200 companies, ACSI opposed 62 (around 17%) of all resolutions. In all cases, ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Historically, around 75% of the most contentious issues are typically at least partly resolved.

☒ Add Example 2

Topic or ESG issue	Governance – Board composition and accountability
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Two key objectives: 4. Ensure appropriate board composition, including a majority of independent directors. 5. Ensure board accountability to shareholders for past
Scope and Process	ACSI provided voting advice for 522 resolutions related to boards in the ASX200 (as well as around 50% more such resolutions for the next 100 largest companies). See additional information below for description of process.
Outcomes	Among the ASX200, ACSI opposed 52 (around 6%) of resolutions. In all cases, ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Historically, around 25% of the most contentious issues are typically at least partly resolved.

☒ Add Example 3

Topic or ESG issue	Governance – Selective Buybacks
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Ensure that companies undertaking selective share buybacks do so in a manner that does not adversely affect other shareholders.
Scope and Process	There was one notable instance[1] of this during the year. ACSI engaged with the company and members to give them sufficient information to make a decision. [1] Woodside Petroleum buyback.
Outcomes	The resolution was defeated as it did not meet the 75% threshold.

☒ Add Example 4

Topic or ESG issue	Environmental – Financed Emissions disclosure
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Ensure adequate information is disclosed by major banks on "financed emissions" - that is, GHG emissions by companies to whom they provide financing.
Scope and Process	Two of the four major Australian banks (CBA and NAB) had shareholder resolutions put to their AGMs regarding financed emissions. The resolutions sought constitutional amendments to compel these banks to make disclosures on these issues.
Outcomes	ACSI engaged with each bank separately from the shareholder resolution. While supporting the underlying goal of improved disclosure, ACSI did not support either shareholder resolution because a constitutional amendment was not seen as an appropriate mechanism to achieve the goals; and there was confidence that the banks would work to address concerns in response to ongoing shareholder engagement.

☒ Add Example 5

Topic or ESG issue	Governance - Remuneration
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Companies should design and implement remuneration policies that align the interests of management with the interests of shareholders and incentivise executives to maximise long-term value.
Scope and Process	<p>A vote against management in relation to remuneration may indicate that the remuneration report proposed by management does not demonstrate sufficient alignment with shareholder interests. This may be due to lack of sufficient performance metrics or may indicate that the quantum put forward by the company is excessive in view of the company's performance.</p> <p>Remuneration has been a key theme for the engagement work of Hermes EOS and this is supported by its voting related discussions with companies. In 2014, Hermes EOS engaged with a number of companies where it identified a misalignment between executive compensation and shareholder interests. In some cases, Hermes EOS agreed to vote with management 'by exception' on the understanding that management was moving in the right direction. Hermes EOS then followed up with these companies. Hermes EOS also spoke to those where they recommended voting against the remuneration scheme put forward by management to outline their concerns and agree an acceptable way forward.</p>
Outcomes	Voting activity relating to remuneration during 2014 supported and built on Hermes EOS' engagement dialogue with companies. Using its milestone approach for measuring progress in engagements, a number of conversations Hermes EOS had with companies around the vote led to governance changes at companies. Other conversations around the vote contributed toward continuing engagements with companies where the required change is still outstanding.

☒ Add Example 6

Topic or ESG issue	Governance - Board Structure
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Boards should comprise individuals with an appropriate and diverse range of competencies, knowledge and experiences to effectively carry out their duties.
Scope and Process	<p>Ideally boards should be led by an independent non-executive chair. Boards should establish and maintain an appropriate corporate culture, be representative of all shareholders including minorities and should assume responsibility for remuneration policies and oversee the risk management function. Board structure is a significant feature for engagement at our service provider Hermes EOS. Often getting the board right is the first step in addressing other social or environmental issues that the company may be exposed to. Hermes EOS regards the vote as an annual health check and often a vote against will precipitate further engagement with the company. Equally, the vote may be used in such a way as to support ongoing engagements on board structure.</p> <p>Consistent with its intelligent voting approach, Hermes EOS endeavours to contact companies wherever possible when it recommends a vote against. Sometimes this contact enables Hermes EOS to vote with management 'by exception.' A vote for management by exception occurs where Hermes EOS believes that its support of management on a resolution is consistent with its voting policy, but not necessarily with a black-and-white interpretation of that policy. An example for a vote by exception would be a company that has committed to changing its remuneration practices to fit with good governance but where the change will not take effect until the following year. In this case, Hermes EOS may vote for current proposals on remuneration to support the company in anticipation of further changes. Subsequent to the vote, Hermes EOS follows up with companies, wherever possible, to explain the rationale for voting against and what changes it would like to see.</p>
Outcomes	Voting activity on resolutions relating to board structure during 2014 supported and built on Hermes EOS' engagement dialogue with companies. Using its milestone approach to measure progress in engagements, Hermes EOS can demonstrate that a number of conversations with companies around the vote led to governance changes with companies. Other conversations around the vote contributed towards continuing engagements with companies where the required change is still outstanding.

☒ Add Example 7

Topic or ESG issue	Governance - Capital structure
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Companies should have an efficient capital structure which will minimise the long-term cost of capital.
Scope and Process	Consistent with its intelligent voting approach, in instances of material holdings or otherwise high-profile companies, our service provider Hermes EOS endeavoured to contact companies wherever possible when it recommended a vote against. Sometimes this contact enabled Hermes EOS to vote 'with management by exception.' Subsequent to the vote, Hermes EOS follows up with companies wherever possible to explain the rationale for voting against and what changes it would like to see.
Outcomes	Voting activity in relation to capital structure during 2014 supported and built on engagements with companies on this issue. Using Hermes EOS' milestone approach to measure progress in engagements, a number of conversations with companies around the vote led to governance changes with companies. Other conversations around the vote contributed towards continuing engagements at companies where the required change is still outstanding.

- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

LEA 25.2 Additional information.

ACSI makes all proxy voting recommendations in accordance with the Governance Guidelines which are created and approved by its member funds. The guidelines are available on the ACSI website: <http://acsi.org.au/acsi-guidelines23/acsi-governance-guidelines.html>

ACSI informs companies of its voting recommendations before the meeting where possible, or after the meeting. ACSI frequently meets companies whose resolutions it opposed.

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
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LEA 26.1 Indicate if your organisation proactively discloses information on your voting activities.

- ☉ We disclose it publicly

provide URL

<http://www.vicsuper.com.au/Investments/Investment-strategy/ESG-integration/Engagement-and-proxy-voting.aspx>

LEA 26.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

☒ Yes

LEA 26.3

Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- ☒ All voting decisions
- ☐ Some voting decisions
- ☐ Only abstentions and opposing vote decisions
- ☐ Summary of votes only

Indicate what level of explanation you provide

- ☐ Explain all voting decisions
- ☐ Explain some voting decisions
- ☐ Only explain abstentions and votes against management
- ☒ No explanations provided

LEA 26.4

Indicate how frequently you typically report voting information.

- ☐ Continuously (primarily before meetings)
- ☐ Continuously (soon after votes are cast)
- ☒ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries