




The image shows two overlapping forms from the PRI LEA (Leadership Engagement Assessment) toolkit. The top form is LEA 02, titled 'Discretionary', and the bottom form is LEA 03, titled 'Mandatory'. Both forms are designed to assess engagement practices across different types of engagements (Individual/Internal staff, Collaborative, and Service provider) and reasons for interaction (To support investment decision-making, To enhance corporate transparency, To enhance corporate practice, To enhance corporate practice for identifying the need to influence, and Other). The forms include checkboxes for 'Yes', 'No', and 'Not applicable'.

RI TRANSPARENCY REPORT

2013/14

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 2013-14 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. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly 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.

PRI disclaimer

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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	✓	n/a							✓
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 bank
- ☐ Reserve - sovereign or government controlled fund
- ☐ Other, specify

OO 01.2 Additional information. [Optional]

VicSuper is a \$12 billion not-for-profit superannuation fund. We have over 242,000 members and over 19,000 participating Australian employers (Figures as at 31 January 2014). We've been around for 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

212

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
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OO 04.1 Indicate the year end date for your reporting year.

31/12/2013

OO 04.2 Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		12	317	615	592
Currency	AUD				
Assets in USD		11	126	488	085

OO 04.3 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
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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	59
Fixed income – corporate	0	7
Fixed income – government	0	8
Fixed income – other	0	1
Private debt	0	0
Private equity	0	3

Property	0	2
Infrastructure	0	4
Commodities	0	0
Hedge funds	0	0
Forestry	0	2
Farmland	0	1
Inclusive finance	0	0
Cash	0	13
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>	<i>100%</i>

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.

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. As a corporate entity we have demonstrated a long term commitment to the management of our financial and non-financial performance through the adoption of sustainability as our central operating principle in 2001.

The application of our central operating principle 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 has a Sustainability Charter that is used as a 'guiding framework' document to clearly articulate 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. The Charter is further supported by the "Integrating ESG into investments" guide which clearly articulates the comprehensive set of mechanisms and processes that we have in place to deliver on our long standing commitments. More detailed information our investment approach will be contained in later sections of this PRI report.

Each year we provide our stakeholders with a comprehensive Performance Report. This report covers our operational, sustainability and investment performance. This report is subject to independent assurance using the ISAE3000 Standard and is developed using the international best practice Global Reporting Initiative (GRI) Guidelines. At present, as far as we are aware, VicSuper is the only Australian Superannuation Fund that delivers a GRI A+ level independently assured performance report to it's stakeholders. This comprehensive, open and transparent disclosure of our performance aligns with our central operating principle and our business values.

Gateway asset class implementation indicators

OO 10
Mandatory
Gateway
General

OO 10.1	Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.
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- ☒ We address ESG incorporation, engagement and/or (proxy) voting in our external manager selection, appointment and/or monitoring processes
- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☐ 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.
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- ☒ 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. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, 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. Direct - Fixed Income and Infrastructure are always voluntary.
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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
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- ☒ 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

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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]

As outlined in the VicSuper Sustainability Charter, we are committed to integrating ESG factors into our investment decision making processes. We believe that the integration of ESG into our core (business as usual) investment processes achieves greater impact over the long term when compared to the development of a separate and stand alone responsible investment policy. VicSuper does not consider ESG as a separate task or as a specialist role within our organisation. We firmly advocate that everyone, from analysts right up to the Trustee, plays their part in the ESG integration process.

To support this commitment we have integrated ESG into our Investment Governance Framework and our Investment Policy Statement. We have also developed an "Integrating ESG into investments" guide to further articulate each element of our approach. These governance and policy instruments help to guide our investment decisions and the integration of ESG factors into the VicSuper Fund.

VicSuper's Investment Governance Framework outlines how our systems, structures, policies, processes and people work together to responsibly manage our members' funds. The framework is supported by our Investment Policy Statement which specifies our investment beliefs and objectives. The ESG guide outlines the suite of activities that we implement to deliver on our policy commitments. All of these work together to drive our investment process which is comprised of:

- Determining a strategic asset allocation (set on a longer term basis);
- Set rolling 10 year investment objectives designed to deliver a return above inflation subject to risk;
- Implementing dynamic asset allocation tilts (as we seek to capitalise on extreme valuations when significant market inefficiencies and anomalies arise);
- Selecting investment managers via a core (index/enhanced index strategy) and satellite (active strategy with the aim to generate returns higher than the benchmark) approach; and
- ESG Integration.

The above actions determine how we construct our portfolio, which ultimately has the objective of optimising risk-adjusted return for our members.

OA 02**Mandatory****Core Assessed****PRI 6****OA 02.1**

Indicate if your responsible investment policy is publicly available.

☐ Yes

☒ No

OA 02.3

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

☒ 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://vicsuper.com.au/About-us/Sustainability/Policies.aspx
Integrating ESG into Investments Guide	http://vicsuper.com.au/Investments/How-VicSuper-invests/Sustainability-and-ESG.aspx
Environment & Climate Change Policy	http://vicsuper.com.au/About-us/Sustainability/Policies.aspx

☐ No

OA 02.5	Additional information. [Optional]
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The VicSuper Investment Governance Framework and Investment Policy Statement are not currently publicly available. We are currently updating our website to disclose material elements of the Investment Governance Framework. Our Investment Policy Statement will also be made public once the scheduled annual review and update is approved by the Trustee at the June 2014 meeting.

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 checked="" 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.
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☒ 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 specifies its investment beliefs and objectives (which includes the integration of ESG). The Investment committee monitors and reviews those beliefs and objectives on an ongoing basis.

At the company-wide level, VicSuper also has in place a three year Sustainability Action Plan which outlines a wide range of company wide projects and engagement initiatives. The plan covers our entire business including Investments. It is the responsibility of the VicSuper Corporate Sustainability Manager to coordinate the successful delivery of the plan. Each initiative in the plan is allocated to a responsible Executive Manager which ensures senior accountability. This approach to accountability also helps to drive progress on implementation. The Corporate Sustainability Manager engages with the responsible Executive Manager on a quarterly basis to gain information on performance and progress.

OA 06**Voluntary****Descriptive****General****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	Assess compliance and alignment with the United Nations Principles for Responsible Investment (UN PRI).
Key performance indicators	Review completed.
Describe the progress achieved	Investment Governance Framework updated, gaps identified and investments communications strategy project initiated.

☒ Add responsible investment objective 2

Objective 2	Monitor the integration of ESG principles into VicSuper's investment strategy.
Key performance indicators	Updated investment strategy.
Describe the progress achieved	ESG factors have been integrated into VicSuper's investment strategy, in accordance with the "core and satellite" approach for each relevant asset class.

☒ Add responsible investment objective 3

Objective 3	Review and monitor the inclusion of ESG in the due diligence process when selecting potential fund managers.
Key performance indicators	Understand how investment managers integrate ESG principles in their investment process
Describe the progress achieved	ESG integration queried as part of manager selection process

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	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 (not yet available)

☐ Add responsible investment objective 2 for the next reporting year

☐ 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 communication and engagement, not only internally to raise awareness across our business, but also externally to ensure that our stakeholders understand our approach and commitment to ESG integration.

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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Our Investment Governance Model outlines the relationship between the key entities at VicSuper. The Trustee is responsible for setting investment policy and overall investment strategy. The Investment Committee is a Trustee appointed subcommittee which has its own Charter and which makes recommendations to the Trustee in relation to investment matters.

The Trustee holds ultimate responsibility for and oversight of VicSuper's investment policy, strategy and policy and more broadly, the regulatory compliance of 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 no delegated decision making power: investment decisions remain the responsibility of the Trustee. The primary 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 five members. VicSuper's Chief Investment Officer is responsible for the overall 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 (comprised of the Portfolio Manager Equities and the Senior Investment Specialist) and the other on defensive assets (comprised of the Portfolio Manager Fixed Interest and the Investment Analyst). 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 & 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.

☐ 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
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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.
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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
- ☐ Other role, specify

OA 08.2

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

Number

0

OA 08.3

Additional information. [Optional]

As outlined in the VicSuper Sustainability Charter, we are committed to integrating ESG factors into our investment decision making process. We believe that the integration of ESG into our core (business as usual) investment process achieves greater impact over the long term when compared to the appointment of separate ESG specialist roles. VicSuper does not consider ESG as a separate task or as a specialist role within our organisation. We firmly advocate that everyone, from analysts right up to the Trustee, plays their part in the ESG integration process.

OA 09

Voluntary

Additional Assessed

General

OA 09.1

Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

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

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 our investment staff, develop this performance management and development plan at the commencement of the financial year. The plan is built in alignment with our strategic plan and objectives to ensure that everyone is working towards consistent goals. This plan includes performance objectives for the following strategic pillars:

- Growth and Scale - which outlines how each employee and team contributes to the sustainable 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. In the case of the investments team, in addition to KPIs associated with the investment return objectives of the VicSuper Fund, each team member is also required to help the business achieve it's sustainability objectives and the investment related initiatives contained within VicSuper's Sustainability Action Plan.

Each individual employee's performance is measured against the KPIs in their iPAG. Performance against these KPIs then influences remuneration increases and individual performance bonus payments on a yearly basis.

The investments team is also required to undertake professional development activities to ensure that they maintain and update their knowledge as part of their iPAG. For example, activities include participating in RIAA programs and sessions, attending meetings of the IGCC, attending conferences and participating in industry roundtable discussions on ESG topics.

Promoting responsible investment

OA 10

Mandatory

Core Assessed

PRI 4,5

OA 10.1

Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

☒ Yes

OA 10.2

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.

Select all that apply

- ☐ 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 ACSI on a regular basis through attending meetings, engaging with their team one on one, 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
- ☐ CDP Forests
- ☒ CDP Water

	Your organisation's role in the initiative during the reporting period (see definitions)
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- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☐ 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)
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- ☐ Basic
- ☒ Moderate
- ☐ Advanced
- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☐ Local Authority Pension Fund Forum
- ☒ 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.

☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

VicSuper is a member of RIAA which provides us with access to knowledge sharing activities, conferences, training and information platforms.

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

- ☒ Basic
☐ Moderate
☐ Advanced

☐ 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

☐ 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]

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. 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

☐ No

OA 11	Mandatory	Core Assessed	PRI 4
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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 manages 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. During this process 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 even 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 an advocacy 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****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.

☒ Yes

☒ Yes, individually

☒ Yes, in collaboration with others

OA 12.2

Select the methods you have used.

☒ 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

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

provide URL

<http://www.aist.asn.au/policy-research/submissions/2013-collection.aspx>

☐ No

☐ No

OA 12.4

Additional information.

VicSuper actively engages with government ministers and public policy makers on investment and ESG issues. This engagement generally takes place as one on one meetings at the CEO or Board level. For example, during the financial year the VicSuper Board engaged with regional Victorian public officials on VicSuper's agricultural investments.

VicSuper, through our association with ACSI and AIST, also has the opportunity to participate 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 topics that included corporate governance principles, integrated reporting and coal seam gas regulatory frameworks. During the reporting period AIST made submissions on behalf of its industry members on topics that related to fund and industry governance.

ESG issues in asset allocation

OA 13

Voluntary

Descriptive

PRI 1

OA 13.1

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.

☐ Yes

☒ No

OA 14

Voluntary

Descriptive

PRI 1

OA 14.1

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

☒ Yes

OA 14.2

Indicate the percentage of your total AUM invested in environmental and social themed areas.

% of total AUM

5.7

OA 14.3

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

Area

☒ Clean technology

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

Asset class invested

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

Brief description of investment

VicSuper holds property investments that have been designed, constructed, operated, maintained or renovated using environmentally-friendly and resource-efficient processes and/or formal green building ratings according to the Australian GreenStar or NABERS accreditation programs.

☒ 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 2007 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
- ☒ 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) with a lower carbon footprint (48% lower for the year ending 30/6/13).

☐ No

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.

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 manager 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
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OA 18.1

Describe any specific features of your approach to responsible investment that you believe are particularly innovative.

With regard to investment related innovation, we are pleased to report that research currently being undertaken by one of our engagement business partners Hermes Equity Ownership Services is progressing well and should be completed early in 2014. This leading edge research, being undertaken through St Andrews University in Scotland, is looking to define how responsible investment engagement activities impact on share price. Once completed, this research will hopefully provide a platform which further supports the value of engaging with organisations on ESG issues.

VicSuper has also adopted an innovative approach to communicating with members on ESG issues relating to their superannuation investments. VicSuper includes a section on half-yearly member benefit statements that shows an estimate of the carbon emissions generated by their account balances. This 'carbon footprint' represents an estimate of the carbon dioxide equivalent emissions generated by the listed equity component of their super savings (based upon currently available datasets). This work, undertaken by Trucost, helps to increase member awareness about the impacts that their super investments have on global issues such as climate change.

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.

☒ 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, our internal compliance team and has been discussed with our 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. In this context, we consider 'sustainability' synonymously with 'ESG integration'.

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

- Sustainability, ESG or investment policy which articulates 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;
- Process of integrating any 3rd party ESG data (for example, MSCI) into their company financial models/investment process/portfolio construction; and
- Proxy voting and engagement policy.

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

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 undertaken and case studies are presented as 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

- ☒ Listed Equity (LE)
- ☒ Fixed income - corporate (FIC)
- ☒ Fixed income - government (FIG)
- ☒ Private equity (PE)
- ☒ Infrastructure (INF)
- ☒ Property (PR)
- ☒ Other asset classes

☒ We use investment consultants in our monitoring of external managers

Asset class

- ☒ Listed Equity (LE)
- ☒ Fixed income - corporate (FIC)
- ☒ Fixed income - government (FIG)
- ☒ Private equity (PE)
- ☒ Infrastructure (INF)
- ☒ Property (PR)
- ☒ Other asset classes

☐ 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

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 type="radio"/> 10-50% <input checked="" 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%

Fixed income - corporate (FIC)

Type of strategy	As % of externally managed corporate fixed income
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Active - quantitative (quant)	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input 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%

Fixed income - government (FIG)

Type of strategy	As % of externally managed government fixed income
Passive	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
Active - quantitative (quant)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" 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%

VicSuper's 'core and satellite' investment approach

The 'core' for each asset class consists of passive, or enhanced passive, indexed 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.

Passive Investment Management

Currently, the passively managed 'core' constitutes the majority of VicSuper Fund's assets. This approach seeks to closely match the relevant benchmark indices and achieve investment returns equal to the relevant financial market.

For example, if the S&P/ASX 200 Accumulation Index (the largest 200 companies listed on the Australian Securities Exchange) achieves a return of 10% in a year, the investment manager aims to achieve a similar return before fees and charges. Indexing focuses on low portfolio turnover which is expected to lead to a reduction in the cost of investing, and can aid better overall returns while closely matching the benchmark in the long-term.

Currently, passive or enhanced passive investment management comprise around 70% of Australian and international fixed interest portfolios. Australian equity portfolios have a 60%/40% passive/active split while 50% of the emerging market equities portfolio is indexed.

Active Investment Management

For a proportion of fund assets, we use active management (the satellite/s). This type of investing aims to outperform the market by investing in a smaller number of securities that aim to achieve higher returns than others. Active equity investment managers for example make their investment decisions based on extensive research and analysis of business and management quality and company earnings forecasts.

VicSuper's investment strategy allows for the use of active management in Australian and international equities international fixed interest and "real assets".

SAM 05	Mandatory	Gateway	PRI 1,2
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 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 checked="" type="checkbox"/>		
Integration	<input type="checkbox"/>		
None of the above	<input 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]
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For our passive listed equity strategies we cast our votes via service providers. For all other listed equity strategies we require our external managers to cast our votes on our behalf.

Selection

SAM 06	Mandatory	Core Assessed	PRI 1-6
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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:
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	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 checked="" 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 checked="" 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"/>		
Evaluate index providers' ESG incorporation when designing the index	<input type="checkbox"/>		
Other ESG incorporation issues in your selection process, specify	<input 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.

VicSuper has a long standing commitment to integrate sustainability into our business decisions, this includes our procurement decisions. These commitments are publicly stated in our Sustainability Charter, our Environment and Climate Change Policy and in our Supplier Engagement Policy.

As part of our due diligence process we ask all our suppliers about their corporate sustainability practices and the integration of ESG into their own operations. For our investment/fund managers this approach ensures that we manage ESG risks associated with the way that they invest our members money and also in the way that they manage their own business. We believe that this approach helps us to proactively manage a wider range of risks. It also allows us to influence broader reaching change.

Appointment

SAM 07	Voluntary	Additional Assessed	PRI 4
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"/>		

Monitoring

SAM 08	Mandatory	Core Assessed	PRI 1
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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:
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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"/>		
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 checked="" type="checkbox"/>	
Other ways you monitor engagement activities, specify	<input type="checkbox"/>	
None of the above	<input 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 type="checkbox"/>
Discuss the changes in company practice (outcomes) that have been achieved from voting activities	<input 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
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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%)
--	--------------------------------

	%
--	---

95

	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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57

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 advocacy, reporting and signatory status
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> <p>Is your organisation a signatory to the PRI?</p> <ul style="list-style-type: none"> • <p>If not, please explain why not.</p> <ul style="list-style-type: none"> • <p>If so, please supply a copy of your PRI annual report.</p> <ul style="list-style-type: none"> • <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 ESG 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 or environmental policy which articulates how ESG 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 ESG risks is an important part of our procurement process.</p>

☒ Add Example 3

Topic or issue	ESG governance and implementation
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 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

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://vicsuper.com.au/Investments/How-VicSuper-invests/Sustainability-and-ESG.aspx>

provide URL

<http://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
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 (environmental, social and governance) data service to engage with Australian listed companies on our behalf. The VicSuper Fund is a shareholder of Regnan.

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.

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
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 checked="" type="checkbox"/> Other, specify On occasion we undertake direct company engagement to discuss topical issues. The majority of our direct engagement is undertaken through informal discussions with company Directors. <input type="checkbox"/> We do not engage via internal staff
Collaborative 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 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

Process

Process for engagements conducted via collaborations

LEA 05	Mandatory	Core Assessed	PRI 2
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LEA 05.1 Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.

- ☐ Yes
☒ No

LEA 06	Mandatory	Core Assessed	PRI 2
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LEA 06.1 Indicate if the collaborative engagements in which you are involved have defined objectives.

- ☒ 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.
- ICGN - The International Corporate Governance Network (ICGN) is an investor-led organisation of governance professionals. The ICGN's mission is to inspire and promote effective standards of corporate governance.

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.

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.
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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 companies you engage with.
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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

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.
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	Number of companies engaged (avoid double counting, see explanatory notes)
Collaborative engagements	192
Service provider engagements	289

LEA 11.2	Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]
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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 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 12	Voluntary	Additional Assessed	PRI 2
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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

41

% Overlapping ESG issues

59

100%

Service provider engagements

% Environmental only

11

% Social only

16

% Corporate Governance only

42

	% Overlapping ESG issues
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32

100%

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.
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	Number of company changes or commitments to change
Collaborative engagements	55
Service provider engagements	192

☐ No

Collaborative engagements

ACSI reviews progress on ESG related performance improvements and commitments to change practices as a result of engagement activities. A total of 55 companies, or 29% of companies engaged, changed or committed to change as an outcome of engagement.

It should be noted that ACSI is yet to reassess approximately a quarter of companies engaged to determine whether they have changed practices. The majority of these are sustainability reporting engagements where ACSI's next annual research will be undertaken in March/April 2014. Others include companies where ACSI engaged following recommending votes against but where the company has not yet had a subsequent meeting.

Service provider engagements

Regnan reviews progress on ESG related performance improvements periodically. A total of 26 companies were identified as showing progress against engagement objectives as at 30 September 2013 (change in the prior year).

Hermes EOS uses a proprietary milestone system to track progress against engagement objectives. This system tracks progress relative to objectives set at the beginning of our interactions with companies. The specific milestones used to measure progress in an engagement vary depending on each concern and its related objective. They can broadly be defined as follows:

Milestone 1 Concern raised with company at appropriate level

Milestone 2 Acknowledgement of the issue

Milestone 3 Development of a credible strategy or plan to address the concern

Milestone 4 Implementation of a strategy or measures to address the concern

During 2013 Hermes EOS had ongoing engagements with 190 companies regarding 478 separate engagement objectives on behalf of VicSuper. Hermes EOS made solid progress in delivering engagement objectives across regions and themes for VicSuper. Progress was made against 24 environment objectives, 30 social and ethical objectives, 84 governance objectives and 28 strategy and risk objectives. This equates to a total of progress against 166 set objectives in the 2013 reporting period.

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

☒ Add Example 1

Topic or ESG issue	Unconventional oil and gas (UOG)
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	Improvements in corporate ESG disclosures and management practices aligned to Regnan's "Principles and Recommendations" document including in relation to impacts on water, greenhouse gas emissions, health and communities
Scope and Process	All stocks within Regnan's universe involved in UOG were targeted (10) and provided with Regnan's "Principles and Recommendations" document. Regnan then pursued further discussions (in many cases there have been a number of meetings advancing these discussions). Regnan is also undertaking public policy advocacy and collaborating with peers as part of this work.
Outcomes	<p>Engagement work on this topic is ongoing. Noteworthy aspects and outcomes to date include:</p> <ul style="list-style-type: none"> • "Principles and Recommendations" document received positive reception as a valuable contribution from most stocks at high level (board) engagements. • A number have implemented or advised Regnan of proposed specific enhancements to their management approach subsequently. • Regulator expanded scope of regulation beyond what was proposed following our submission (the only one to raise this point) • Other bodies have advised of referencing and using our "Principles and Recommendations" document in their own engagement and advocacy.

☒ Add Example 2

Topic or ESG issue	Board independence and safety performance
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	<p>Appoint an independent board member with industry skills.</p> <p>Enhancement of safety management and performance.</p>
Scope and Process	Multi-year, single-stock engagement involving a number of meetings and correspondence at Board level by Regnan.
Outcomes	<p>An independent director with industry skills was appointed and independence of Board expected to be further enhanced by this appointment.</p> <p>Safety performance showed a marked (though single year) improvement following management enhancements. Disclosure was also enhanced and aligned to reflect the feedback provided.</p>

☒ Add Example 3

Topic or ESG issue	Business strategy and structural governance issues
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	<p>Hermes EOS adopts an holistic approach to engagement on VicSuper's behalf by combining discussions on business strategy and risk management, including social and ethical risks, with structural governance issues. Engagements fill the gap left by the investment industry's tendency to focus on the short-term. The result of this tendency is that management too often goes unchallenged in its approach to the long-term future of its business and there is minimal pressure for change. EOS assesses and engages with underperforming companies from a long-term perspective, asking questions which encourage management and boards to think afresh to overturn long-running periods of underperformance. This proven approach is often successful in adding value or ending destruction of value.</p>
Scope and Process	<p>Hermes EOS met executives at the headquarters of a prominent car manufacturer with a global presence, and visited its largest domestic factory. Discussions focused on labour relations and social issues. Hermes EOS sought management's views on how best to manage its relationship with the main labour union and were pleased that the company seems to have tackled long-standing problems in this respect.</p>
Outcomes	<p>The car manufacturer now demonstrates a more constructive attitude to discussions, with a clear focus on enhancing productivity and product quality. The company has also put various positive measures into place, such as an internal committee which meets regularly to discuss labour-related issues including health and safety, and plans to convert some contract workers to permanent workers over the next three years.</p> <p>Hermes EOS also welcomed more open communication with shareholders on these matters. It was encouraging to hear that the ethics committee, which is chaired by an independent director, is now a sub-committee of the board. They discussed its role in detail and encouraged the company to be more transparent about its responsibilities in relation to policy implementation, overseeing conflicts of interest such as related party transactions and dealing with whistle-blowers.</p> <p>As a result of the Hermes EOS visit to the company's largest domestic factory, they were able to gain significant reassurance about the significant progress that has been made in managing labour relations and social issues since we first initiated our intensive engagement.</p>

☒ Add Example 4

Topic or ESG issue	Asian Business Dialogue on Corporate Governance
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	<p>Hermes EOS actively participate in debates on public policy matters on VicSuper's behalf to protect and enhance value for our clients by increasing shareholder rights and boosting protection for minority shareholders. This work extends across: company law, which in many markets sets a basic foundation for shareholder rights; securities laws, which frame the operation of the markets and ensure that value creation is reflected in value for shareholders; and in developing codes of best practice for governance, management of key risks and disclosure. In addition to this work on a country-specific basis, we address regulations with a global remit, which are currently in the areas of accounting and auditing standards.</p> <p>Investment institutions are typically absent from public policy debates even though they can have a profound impact on shareholder value. Hermes EOS seeks to fill this gap.</p> <p>By playing a full role in shaping these standards we can ensure that they work in the interests of shareholders rather than being moulded to the narrow interests of other market participants (particularly companies, lawyers and accounting firms, which tend to be more active than investors in these debates) whose interests may be markedly different.</p>
Scope and Process	<p>Hermes EOS actively participated on VicSuper's behalf in discussions at the 2013 Asian Business Dialogue on Corporate Governance in Seoul, organised by the ACGA (Asian Corporate Governance Association) of which EOS is an active member. This conference was also officially supported by the Korea Exchange and the Korea Corporate Governance Service (KCGS). The discussions were largely on corporate governance and sustainability.</p>
Outcomes	<p>Hermes EOS shared their views on the strengths, weaknesses and the areas of potential risk in the current governance system and encouraged Korean companies to consider corporate governance in a strategic way and to demonstrate a clear commitment from the top. They also initiated informal dialogues with Korean institutional investors on how domestic investors view the governance of listed companies in Korea and to what extent they integrate environmental, social and governance metrics into their investment decision-making. Hermes EOS plan to continue these direct and constructive discussions in Korea with the aim of enhancing ESG standards and practices.</p>

☒ Add Example 5

Topic or ESG issue	Climate Change
Conducted by	<input type="checkbox"/> Collaborative <input checked="" type="checkbox"/> Service provider
Objectives	To seek information on climate change risks including how organisations are assessing risks associated with the concept of un-burnable carbon and stranded asset implications.
Scope and Process	<p>Hermes EOS continues to engage with most of the oil and gas majors on climate change and other issues that affect the industry's long-term value. Earlier this year they wrote to one of the US majors and called for, inter alia, better disclosure about how the company managed climate change risk.</p> <p>Hermes EOS also led and supported engagements in the Carbon Action campaign to encourage large greenhouse-gas emitters to set quantitative reduction targets if they haven't already done so. These companies often pushed back, but Hermes EOS were often able to hold constructive conversations with them to encourage better disclosure on managing climate change risk.</p>
Outcomes	<p>In the letter to the company and subsequent conversation, Hermes EOS noted it was encouraging that it acknowledged climate change as an important issue to manage but expressed our concern that its thinking, as reflected by its disclosure, needed to extend to the risk of owning stranded assets. Hermes EOS obtained a fulsome response from the company.</p> <p>This engagement also helped Hermes EOS to learn which boards are better prepared for climate change regulation and potentially significant changes to their business models. Hermes EOS have now identified and challenged some companies that are still prepared to arbitrage climate change risk by using lower carbon prices in their investment decisions in countries which in the short term, are less likely to impose a serious carbon charge on hydrocarbon extraction.</p>

☒ Add Example 6

Topic or ESG issue	Corporate Governance
Conducted by	<input checked="" type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	<p>Improve specific company practices in governance of:</p> <ul style="list-style-type: none"> • Executive remuneration • Directors and board composition • Capital raising practices
Scope and Process	ACSI engaged with around 25 priority companies on one or more of these three governance issues. Typically, letters were written to the companies with the majority of these becoming catalysts for face to face engagement meetings with board members.
Outcomes	The recent experience is for around half of the issues raised and discussed to be fully resolved. ACSI was most successful in achieving change on pay and capital raising issues. Board related issues require longer-term engagement and assessment given that these changes are often implemented over a longer time period.

☒ Add Example 7

Topic or ESG issue	Anti-corruption and Bribery
Conducted by	<input checked="" type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	Enhanced company disclosure of anti-corruption policies as per ICGN framework.
Scope and Process	ACSI engaged with eight companies identified via commissioned research to have poor anti-corruption disclosure relative to risk exposure. Letters were written to companies, followed by either further written correspondence or face to face meetings.
Outcomes	Five of the eight companies responded to ACSI: two have published improved anti-corruption policies, one is completing an internal review and two are discussing the issue with the board. The remaining three companies have not responded and engagement has continued in conjunction with the PRI Anti-Corruption working group.

☒ Add Example 8

Topic or ESG issue	Labour & Human Rights Policies
Conducted by	<input checked="" type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	Enhanced company disclosure of Labour and Human Rights policies.
Scope and Process	ACSI engaged with 13 companies identified via two commissioned research reports for high exposure to labour and human rights risks with relatively low disclosure of policy. Letters were written to companies, followed by either further written correspondence or face to face meetings.
Outcomes	Four companies responded with information regarding further initiatives being undertaken in this area or extension of policies. One company requested further guidance. Six companies did not respond. Further engagement correspondence has been undertaken and the companies are now reviewing the second letters internally. One company has advised it does not have issues in this area. One company has provided no response or acknowledgment. The issue is due to be addressed in continued dialogue in 2014 and beyond.

☒ Add Example 9

Topic or ESG issue	Sustainability Reporting
Conducted by	<input checked="" type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	Improved corporate annual reporting of ESG risks.
Scope and Process	Sixty three companies identified through ACSI's research to have basic or no reporting on ESG risks in annual disclosures. Letters written to each company detailing areas that require improvement and providing guidance on disclosure frameworks.
Outcomes	ACSI wrote to all companies considered to have provided either limited or no sustainability reporting within their company disclosures. Each letter detailed the company's current level of reporting relative to market standards, encouraging improvement and an insight into investor expectations on ESG disclosures. Ten companies were prioritised for further engagement given their low level of reporting and the ESG issues associated with their operations (e.g. mining and heavy industry). Two of these companies have already improved their reporting practices.

☐ 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.
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☒ We disclose it publicly

	please provide URL
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<http://vicsuper.com.au/About-us/Reports.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 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.

(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 responsible governance 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. Some matters that VicSuper has the opportunity to participate in through proxy voting include:

- 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.

BlackRock Investment Management (Australia) and Vinva Investment Management undertake proxy voting for the Australian passive and enhanced passive equities portfolios (core) respectively. Individual fund managers of our satellite 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, on behalf of the Trustee, according to their corporate governance principles. Generation Investment Management (pooled fund) and individual fund managers of our satellite 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

- ☒ 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://vicsuper.com.au/-/media/Files/PDFs-and-downloads/Other/policies/vicsuper-governance-and-proxy-voting-policy.ashx>

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 lodged:
- ☒ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☐ None of the above

LEA 19.2	Provide additional information on your organisation's vote confirmation efforts.
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VicSuper participated in a study for Australian shares run by ownership matters in 2013 to track and improve the voting trail and/or to obtain vote confirmation.

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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VicSuper's Australian equities investments are covered by ACSI's voting service, ACSI corresponds either via meeting or teleconference around the time of the company meeting, or writes to each company where there was an 'against' recommendation expressing its rationale and concerns. Companies where there are more material concerns become Corporate Governance engagement priorities where ACSI typically holds face to face meetings with the company urging it to change its practices.

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.

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
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- ☒ 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 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:
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Voting instructions	Breakdown as percentage of votes cast				
For (supporting) management proposals	<table> <tr> <td></td><td>%</td></tr> <tr> <td>91</td><td></td></tr> </table>		%	91	
	%				
91					
Against (opposing) management proposals	<table> <tr> <td></td><td>%</td></tr> <tr> <td>8</td><td></td></tr> </table>		%	8	
	%				
8					
Abstentions	<table> <tr> <td></td><td>%</td></tr> <tr> <td>1</td><td></td></tr> </table>		%	1	
	%				
1					

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 an 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
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**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

☒ No

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.

☒ Add Example 1

Topic or ESG issue	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 voting advice for 445 resolutions related to remuneration in the ASX200 (as well as around 50% more such resolutions for the next 100 largest companies).
Outcomes	Among the ASX200, ACSI opposed 78 (around 18%) of all resolutions. In all cases, ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Of the priority companies, around 80% of the issues were at least partly resolved.

☒ Add Example 2

Topic or ESG issue	Board composition and accountability
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	<p>Broadly, there were two objectives:</p> <ul style="list-style-type: none"> • Ensure appropriate board composition, including a majority of independent directors. • Ensure board accountability to shareholders for past decisions.
Scope and Process	ACSI provided voting advice for 544 resolutions related to boards in the ASX200 (as well as around 50% more such resolutions for the next 100 largest companies).
Outcomes	Among the ASX200, ACSI opposed 38 (around 7%) of resolutions. In all cases, ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Of the priority companies, around 40% of the issues get at least partly resolved.

☒ Add Example 3

Topic or ESG issue	Capital raising practices
Decision made by	<input type="checkbox"/> Internal staff <input checked="" type="checkbox"/> Service provider
Objectives	Ensure that companies undertake capital raising in a way that gives existing shareholders the ability to participate or to be adequately compensated for any dilution they experience.
Scope and Process	ACSI provided voting advice or information for 55 resolutions related to capital raising in the ASX200.
Outcomes	Among the ASX200, ACSI opposed 5 (around 7%) of resolutions. ACSI wrote to the companies explaining its rationale and often follow up meetings were held. Of the priority companies, around two thirds of the issues get at least partly resolved.

- ☐ Add Example 4
- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

LEA 25.2	Additional information.
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ACSI makes all proxy voting recommendations in accordance with the Governance Guidelines which are created and ratified by its member funds, including VicSuper. The guidelines are available on the ACSI website: <http://acsi.org.au/acsi-guidelines23/acsi-governance-guidelines.html>

Communication

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

- ☒ We disclose it publicly

	provide URL
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<http://vicsuper.com.au/Investments/How-VicSuper-invests/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.
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☒ Yes

LEA 26.3	Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.
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	Indicate how much of your voting record you disclose
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- ☒ All voting decisions
- ☐ Some voting decisions
- ☐ Only abstentions and opposing vote decisions
- ☐ Summary of votes only

	Indicate what level of explanation you provide
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- ☐ 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.
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- ☐ 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