

# stewardship statement

May 2018

## At HESTA, we want our actions to help drive long-term, meaningful change.

We have long demonstrated stewardship to protect and enhance long-term investment value for our members. We do this by promoting sustainable value creation in the companies in which we invest. HESTA believes effective stewardship benefits companies, our members and the economy as a whole.

We're proud to be a signatory to the Australian Asset Owner Stewardship Code. The Code was created to help asset owners practice transparent stewardship in meeting their obligation to act in the best interests of their beneficiaries.

The Code consists of six Principles. As a signatory to the Code, we've developed this Stewardship Statement to explain how we apply each of the Principles.

### Principles

#### 1: Asset owners should publicly disclose how they approach their stewardship responsibilities

Our approach to stewardship is grounded in our key investment objective: to maximise HESTA members' investment returns while minimising risk.

HESTA believes environmental, social and governance (ESG) issues can impact investment risks and returns. Our active ownership approach, which considers these issues alongside traditional financial and business risks, can improve long-term investment returns for members.

As a long-term universal investor, likely to own a stake in a company for a number of years, we view active ownership as vital to acting in the best interests of members. Our Active Ownership Policy outlines how and why we are an active owner, including our approach to share voting, company engagement, and advocacy activities.

Our approach to stewardship is also guided by our commitment to the Principles for Responsible Investment (PRI), especially PRI Principle 2: "We will be active owners and incorporate ESG issues into our ownership policies and practices".

#### 2: Publicly disclose their policy for voting at company meetings and voting activity

As an active owner, HESTA believes it's essential to use our voting rights as a shareholder in public companies. Where possible, HESTA votes on all shares in listed companies held on our behalf.

Share voting is an important tool for engaging with companies. It is a visible and concrete expression of views on issues which may have been discussed privately with a company. It is an effective way for HESTA to publicly express our views on what a company is doing right, and where they need to improve.

HESTA aims to vote 'for' or 'against' resolutions on a meeting agenda to send a clear signal to a company. We disclose our policy for voting (including our approach to share lending) and our voting activity on our [website](#).

#### 3: Engage with companies (either directly, indirectly or both)

HESTA has an extensive **ESG related engagement program** aimed at protecting and increasing the economic value of companies we invest in. We believe engagement is the most effective way to influence a company to improve the way they manage ESG risks and disclosure.

In accordance with our policy, we undertake company engagement via third-party engagement services. This engagement generally targets companies whose ESG policies, practices or performance fail to meet standards set by government, regulators, industry, peers or society, or where their conduct threatens their reputation and value. Specific objectives are set for our engagement with companies, and they are communicated at Board or at least senior management level. We keep details of engagement meetings confidential because we know that engaging with companies confidentially encourages trust and openness, and increases the likelihood of success.

HESTA uses expert third-party engagement service providers. Each of the providers represents a number of institutional investors and therefore, a meaningful investment in the company with which they're engaging, so they have a greater ability to influence the companies they engage with.

From time to time, HESTA will also collaborate with other investor organisations, such as the Investor Group on Climate Change, the Responsible Investment Association of Australia or the Asian Corporate Governance Association, or with other investors through the PRI Clearinghouse, on engagement with companies.

#### 4: Monitor asset managers' stewardship activities

HESTA has retained responsibility for performing all its stewardship activities including proxy voting and management of our engagement program. We do this to ensure consistency, so all our engagement messages are consistent and every one of our shares is voted consistently, in line with our decision. This is why we do not outsource engagement and share voting to our external asset managers.

As described under Principle 2 above, we undertake our own ESG related engagement with the help of expert third-party engagement service providers. This is the critical element in how HESTA applies our own stewardship. We believe that this approach, by ensuring a consistent message which is supported by a more significant investment in the company, will drive meaningful improvements in ESG. We communicate regularly with our asset managers on their ESG related engagement with companies, and also review their engagement reports. However, this is primarily to better understand their thinking about and approach to stewardship.

We also seek our fund manager views to help inform our proxy voting decisions. However, as the fund managers do not vote on our behalf, we do not specifically monitor their actual share voting activities (i.e. activity that represents voting on other clients' holdings).

#### 5. Encourage better alignment of the operation of the financial system and regulatory policy with the financial interests of long-term investors

HESTA advocates for changes to policies, regulations, laws, standards or guidelines to better align the operation of the financial system with the maximisation of long-term returns for our members and the minimisation of risk.

Advocacy undertaken by or on behalf of HESTA focuses on changes that will improve performance or reduce failures of the market. We advocate for changes that:

- improve market efficiency
- protect society or the environment
- require acceptable governance
- deliver appropriate and consistent disclosure.

These measures may be introduced at a global level, such as accounting standards, or at a national or local level.

HESTA advocates directly or through our external service providers with public policy makers, regulators and standard setters on ESG and other matters. Advocacy activities include: engagement with, and submissions to government, regulators or other rule making bodies; commissioning and publishing research; and industry and media campaigns.

#### 6. Report to beneficiaries about their stewardship activities

HESTA reports to beneficiaries through a number of channels.

- We report summary information and data annually through our:
  - **Website**
  - **Annual Report**
  - PRI Transparency and Assessment Reports.
- We disclose detailed records of how we vote on all **company meetings every six months**.

For further information please email [esg@hesta.com.au](mailto:esg@hesta.com.au)

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