




Australian Government

Commonwealth Superannuation Corporation

# CSC proxy voting and engagement principles.



Commonwealth  
Superannuation  
Corporation



Commonwealth Superannuation Corporation (CSC)  
values good governance in its own operations, in its  
service providers and in the companies in which  
it invests.

The following is an extract from CSC's  
Active Ownership Policy.



## Stewardship Principles

CSC views the ownership rights attaching to equity holdings as an intrinsic part of their value. We make full use of these rights to support the components of value described in our Stewardship Principles:

- Secure shareholder rights, such as the right to determine a company's board of directors and make decisions on major capital transactions.
- Directors who evidence deep-domain capability, curiosity, and commitment to ethical restraint; and who have adequate capacity reserved for the periods when circumstances demand abnormal time and focus.
- A board that is managed for collective:
  - depth and breadth of strategic and operational expertise relevant to the business, its ecosystem, and its stage of maturity;
  - systems awareness, innovation and interrogation of the data for insight;
  - integrity, humility, and empathy with customers, employers, investors and all stakeholders;
  - pro-active attentiveness to externalities; and
  - decisions free from conflicts of interest.
- Alignment at all levels; including through:
  - contracts, controls and codes that distinguish governance from compliance;
  - tangible and intangible incentives; and
  - purposeful management of human capital and culture aligned to organisational purpose and character.
- Reporting that is fit-for-the-purposes of institutional investors with long term and extensively diversified portfolios. This includes:
  - reporting that reconciles long-term strategy to shorter-term operational and financial outcomes; and
  - reporting on impacts and externalities, as well as failures in managing or mitigating these risks/activities.

We use high-level principles rather than prescriptive positions for our active ownership activities because of our views that:

- *Good governance differs from more governance.* Excessive prescription and process can be costly and inefficient, can stifle agility, deter desirable risk-taking, and undermine individual accountability.

- *Intentional, informed risk-taking is the essence of all successful enterprise and investment* and variations in the risk profiles of our underlying assets are a valuable component of investment diversification.
- *Optimising arrangements for accountability and alignment* requires addressing specific circumstances, rather than adhering to conventions.

## Public company engagement

CSC references these principles to engage both directly and indirectly:

**Direct engagement:** CSC engages in pro-active dialogue with leaders of portfolio companies, with the dual aims of:

- Monitoring intangible assets (as above); and
- Conveying our support for high quality management of those assets.

Achieving both of these goals via engagement requires constructive two-way conversations under conditions of mutual trust. CSC's engagement is therefore conducted privately and structured to generate and contribute insight. For more details, see our [stewardship factsheet](#).

**Voting:** CSC exercises all of its voting rights by casting a vote on every resolution put to the shareholders of every public company in our portfolio (conscientious abstention is rare and under circumstances detailed below).

- CSC recalls any loaned stock, prior to voting deadlines, in order to fully use our ownership rights responsibly.
- Our default position is to vote in support of management recommendations, except where these are inconsistent with our Stewardship Principles above.
- To help identify any such resolutions, we seek input from CSC investment managers with an active position in the stock; proxy-voting advisers and other advisers with specialist domain expertise.
- If any of these partners dissent from the company's recommendation on how shareholders should vote, we evaluate the resolution's merits in light of our investment valuation analysis and our Stewardship Principles, and we cast our votes accordingly.
- **Advisory resolutions:** Consistent with global best practice, we value well-formulated non-binding votes as a way for shareholders to provide concrete, transparent, unambiguous, democratic shareholder feedback to companies, whilst preserving the board's discretion as to how it responds to this feedback.
  - CSC seeks to convey our position on the substance of advisory resolutions with the highest possible fidelity.
  - We do not use voting to communicate generalised support or disapprobation, as this undermines the unique utility of such votes by adding noise to the feedback signal.
  - **Conscientious abstention:** In rare cases, CSC abstains from casting a vote to avoid conflicts and perceptions of conflict; or when both 'for' or 'against' votes would precipitate larger unwanted consequences.

- **Voting transparency:**
  - Where we dissent from company managers, investment managers or advisers, we provide them with our rationale on request.
  - Any votes cast contrary to the recommendations of company management are also reported to CSC's Board.
  - On at least a semi-annual basis, CSC discloses proxy voting activities, in summary form, on the Trustee's website.