TelstraSuper

Proxy Voting Policy

Telstra Super Pty Ltd

Date of Policy	Changes made	Updated by
September 2009	Policy introduced.	Legal & Secretariat
September 2013	To reflect no proxy voting on Direct Access holdings and update for changes in structure.	Legal & Secretariat
February 2016	Revise definition and processes for considering contentious matters.	Legal & Secretariat
February 2018	Amendments to reflect changes to Policy owner and review approval to include Investment Committee and TSPL Board as well as formatting changes.	Investment Operations
December 2019	ASX 200 Policy amended for approval process	Investment Management
April 2020	Updated to reflect current policy and voting principles and removal of operational processes relating to vote implementation.	Investment Management & Investment Operations
September 2020	Updated to reflect voting for directly held international equities	Investment Management & Investment Operations
September 2022	Updated practices and Voting Guidelines.	Investment Management

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1. Background

This Policy sets out the position of Telstra Super Pty Ltd (**TelstraSuper or TSPL**) as trustee for the Telstra Superannuation Scheme (**Fund**), in relation to active ownership of listed securities via participation in proxy voting activities.

For the purposes of this Policy, a reference to:

- ***securities*** or a security, means any of the following:
  - shares representing the common equity of corporate entities;
  - shares representing the preferred equity of corporate entities;
  - interests in investment unit trusts;
  - interests in stapled securities carrying voting rights; and
  - any other form of security that represents a beneficial interest in the equity of a corporate or unit trust.
- a ***securityholder***, means a holder of any of the securities referred to above.

In executing this policy, TelstraSuper will seek to act in the best financial interests of the Fund's members and believes that active ownership can improve long-term risk-adjusted returns to those members.

Voting is one of the cornerstones to TelstraSuper's active ownership approach. The exercising of the right to vote is one of the most effective tools for holding company boards to account and encouraging good corporate governance.

As an active owner, TelstraSuper exercises proxy votes for listed Australian and international security holdings. TelstraSuper's approach to voting is guided by the standards of business practice outlined in various frameworks including but not limited to the Principles for Responsible Investment (PRI) as supported by the United Nations and the Australian Council of Superannuation Investors Governance guidelines.

2. Australian Equities

<u>Internal Investment Management</u>

TelstraSuper seeks to vote on all listed equity investments wherever possible, unless doing so is considered to be detrimental to members' best financial interests or where the exceptions referred to in this Policy apply.

Voting is determined on a case by case basis after taking into account TelstraSuper's Voting Guidelines and various factors where applicable, including but not limited to, proxy advisor research and recommendations where available, the outcomes from engagement meetings, our external investment managers' views and perspectives, and the Fund's members' best financial interests.

TelstraSuper maintains independence when exercising its voting rights and there are occasions where the final voting decisions differ from recommendations that we may receive from our appointed proxy advisors from time to time.

TelstraSuper's voting decisions are made by internal portfolio investment managers and overseen by the Head of Equities and the Head of Sustainable Investing.

Where a matter is deemed contentious or highly significant, the voting determination is referred to the TelstraSuper Investment Committee (see further Section 5 "*Contentious & Highly Significant Matters*" below).

External Investment Management

External investment managers are required to exercise proxy votes relating to the companies whose securities they manage on our behalf, pursuant to TelstraSuper's investment mandates with them and their own proxy voting policies.

External investment managers have the discretion to determine how they vote on the securities within the portfolios they manage. However, TelstraSuper retains the right to specifically instruct the investment manager on how to vote and may override any proposed proxy voting decision by an external investment manager.

The circumstances that may lead to TelstraSuper giving a specific instruction or overriding an investment manager's proxy voting decision, include matters which may be considered contentious or highly significant as outlined in Section 5 "Contentious & Highly Significant Matters" below or where the investment manager intends to lodge a vote that is contrary to and/or inconsistent with the principles outlined in TelstraSuper's Voting Guidelines.

3. International Equities

External Investment Management

External investment managers are required to exercise proxy votes relating to the companies whose securities they manage on our behalf, pursuant to TelstraSuper's investment mandates with them and their own proxy voting policies.

External investment managers have the discretion to determine how they vote on the securities within the portfolios they manage. TelstraSuper retains the right to specifically instruct or override our external investment managers' voting in the same manner as outlined above with respect to Australian equities.

Internal Investment Management

Where TelstraSuper manages international equities internally, it will seek to vote on these investments wherever possible, unless doing so is considered to be detrimental to members' best financial interests or where the exceptions referred to in this Policy apply.

Voting is determined on a case by case basis after taking into account TelstraSuper's Voting Guidelines and various other factors where applicable, including but not limited to proxy advisor research and recommendations where available, external investment managers' views and perspectives and the Fund's members' best financial interests.

TelstraSuper's voting decisions for internally managed international equities are made by the Head of Equities and the Head of Sustainable Investing.

4. Exceptions

TelstraSuper and its external investment managers may elect not to lodge proxy votes in circumstances where it would not be in the best financial interests of the Fund's members or where doing so would impose an unreasonable administrative burden. Examples of such circumstances may include:

- in certain investment markets, lodgement of proxy votes may restrict the investment manager's ability to trade in the company's securities or impose onerous administrative obligations on the TelstraSuper and/or its custodian; or
- where it may not be possible to lodge proxy votes in the timeframe required by a particular investment market or jurisdiction; or
- during portfolio transitions and/or the restructure of the Fund's assets.

5. Contentious & Highly Significant Matters

A proxy voting decision is to be referred to the TelstraSuper Investment Committee for determination where the matter is considered by the Chief Investment Officer (**CIO**) or the CIO's authorised delegate to be contentious or highly significant to TelstraSuper, the Fund and/or its members.

Factors considered when determining whether a proxy voting decision is contentious or highly significant to TelstraSuper may include, but are not limited to:

- reputational risk considerations;
- a material value impact on the Fund and/or its members;
- contentious subject matter, such as controversial remuneration arrangements, inappropriate director appointments and/or other undesirable corporate actions; and
- materiality in relation to TelstraSuper's overall investment interests.

In addition, any specific matter which one or more of TelstraSuper's Directors have asked Management to treat as a contentious matter will be referred to the TelstraSuper Investment Committee for determination.

If as a result of conflict of interest or duties, the TelstraSuper Investment Committee is unable to form a quorum to determine a proxy voting matter, the TelstraSuper Investment Committee will direct Management to lodge abstention votes in relation to the resolutions concerned.

Due to the potential for a conflict of interest to arise, the TelstraSuper Investment Committee has directed Management to abstain from all votes relating to Telstra Corporation Limited.

If the Investment Committee determines it appropriate, it may refer any contentious or highly significant matter brought to it to the Telstra Super Board for final resolution of the relevant proxy voting decision.

6. Reporting

A copy of this Policy and a record of voting activity is made available on the TelstraSuper website, and otherwise reporting and disclosure will be made as required by applicable law and/or regulation.

7. Policy Review

This Policy must be reviewed by Investment Operations and Investment Management every two years. More frequent reviews may also be undertaken if there is a change to regulatory requirements or a material change in TelstraSuper's business operations. Amendments to the Policy must be approved by the Investment Committee and the TSPL Board.

Appendix A Voting Guidelines

The principle behind TelstraSuper's voting guidelines for publicly listed companies is to achieve an alignment of interest between company performance and securityholder value over the long-term.

1. Director Elections

In assessing candidates for election or re-election to the board of directors, and resolutions to remove directors, TelstraSuper considers:

(a) the skillset, capability and experience of the candidate;
(b) the performance of the candidate at the company in question and at other companies, especially their record of creating securityholder value;
(c) the capacity of the candidate, given other commitments and attendance at board and committee meetings, to adequately discharge his or her duties as a director;
(d) the length of the director's tenure on the company's board;
(e) the performance of the incumbent board giving regard to financial performance, long-term securityholder value and conduct;
(f) the composition of the board and its key committees, and the capacity of the board and its key committees to oversee the company's conduct and performance on behalf of all securityholders and, as appropriate, giving due consideration to relevant guidelines produced by appointed proxy advisers and having regard to the recommendations of the Financial Services Council and the ASX Corporate Governance Council and
(g) the mix of skills, capabilities and diversity of the incumbent company's board.

Gender balance of boards

TelstraSuper supports efforts to improve gender balance on boards and executive management teams of the companies in which we invest. We expect ASX300 companies to set medium and long-term targets for gender balance on their board and executive leadership teams, with a goal to achieve gender balance (40% women, 40% men, 20% unallocated) by no later than 2030.

For companies with poor gender balance without reasonable plans for improvement in place or substantially developed, TelstraSuper will consider voting against individual directors most accountable for board succession and composition. TelstraSuper will generally vote against at least one of the chair of the board, the chair of the Nominations Committee, a member of the Nominations Committee or the longest-serving director seeking re-election. TelstraSuper may refrain voting in this regard if the removal of a senior director is expected to lead to material value destruction to the company and consequently to members.

The Corporations Act 2001 (Cth) requires a board of directors to seek securityholder approval to declare there to be 'no vacancy' on the board in response to the nomination of an external candidate. TelstraSuper, absent a compelling commercial reason to give its approval, will generally oppose any such resolution seeking to declare 'no vacancy'.

2. Director Independence

TelstraSuper believes that company boards should be comprised of a majority of independent directors and have a chairperson who is independent. Boards should have both an audit and a remuneration committee. The audit committee should be chaired by an independent director and be comprised of a majority of independent directors. The remuneration committee should be chaired by an independent director and have a majority of independent directors. In classifying non-executive directors or candidates for election as independent or affiliated, TelstraSuper will be guided by the whether the candidate is genuinely independent, specifically:

(a) is the individual a substantial security holder, or associated with a substantial security holder?
(b) has the individual been an executive of the company within the past three years?
(c) has the individual, within the past three years, been associated with a material professional service provider to the company?
(d) is the individual an employee of, or associated with, a material supplier or customer of the company?
(e) does the individual, or the individual's family, have material contractual relationships with the company, or any other association with the company and its management, other than as a director? and
(f) has the individual served for a significant period on the board and therefore be deemed to be affiliated?

TelstraSuper will generally not support the election of affiliated, non-independent directors on company boards that are not majority independent unless there are compelling reasons to do so.

3. Remuneration Report Resolutions

TelstraSuper believes that the remuneration of directors and executives should be designed so as to ensure long-term alignment with securityholder interests. Remuneration reports should facilitate understanding of a company's remuneration policies and practices. Boards should ensure there is full disclosure of total remuneration packages, including all components and any termination provisions. In deciding how to vote on remuneration reports, TelstraSuper will consider:

(a) the extent to which remuneration structure, policies and procedures are disclosed in a clear and meaningful way;
(b) the quantum of director and executive pay and whether it is aligned with performance and securityholder outcomes;
(c) whether fixed remuneration is at a level that is reasonable with regard to a company's sector, peer group and industrial obligations;
(d) whether the balance of fixed vs variable remuneration is reasonable relative to the company's sector and peer groups;
(e) the structure of incentives, whether delivered in cash or equity;
(f) whether variable remuneration performance hurdles are demanding and relevant, incorporate a sound balance of financial and non-financial metrics, and are genuinely 'at risk' and capable of being a true incentive for performance above the executive's core duties; and
(g) the structure of non-executive director pay ensuring it maintains and promotes non-executive director independence. Non-executive directors should generally be remunerated by way of reasonable fixed pay only.

4. Equity Grants and Plans

In deciding how to vote on resolutions seeking approval for specific grants of equity to executives, TelstraSuper will consider:

(a) the performance criteria which must be satisfied in order for equity to vest and the extent to which these criteria are aligned with securityholder interests;
(b) the period over which the equity will vest;
(c) whether the grant represents a deferred component of pay already accrued; and
(d) the dilutive impact of plans on existing securityholders.

TelstraSuper will generally not support equity grants to non-executive directors that incorporate formal or informal performance hurdles on the grounds that such arrangements may impair non-executive director independence.

5. Termination Payments and Change of Corporate Control

TelstraSuper will generally not support equity grants and plans for senior executives that vest based on continuity of employment, however, TelstraSuper is less concerned with retention payments intended for non-executive employees. TelstraSuper will generally not support guaranteed termination payments that exceed 12 months' fixed pay. Termination payments should not be paid where an executive retires from office, has resigned, or has been terminated for poor performance. TelstraSuper will generally not support the automatic vesting of options and performance rights in the event of a takeover or change of control of a company.

TelstraSuper does not generally support the automatic vesting of equity awards in the event of termination of employment, unless there are compelling reasons to do so.

6. Climate Change Strategy Resolutions

TelstraSuper supports companies with material climate-change risks offering securityholders the opportunity to vote on decarbonisation strategy. In determining how to vote on such resolutions, TelstraSuper will take into consideration the following matters in relation to a company's climate change strategy:

1. alignment of corporate strategy with the company's climate plan;
2. disclosures made in accordance with the Taskforce for Climate Related Financial Disclosures (TCFD) reporting framework developed by the Financial Stability Board;
3. scenario analysis undertaken by the company;
4. whether any carbon emission reduction targets set are aligned with the Paris Agreement;
5. physical risk management activities;
6. the company's policy advocacy activity and membership of industry organisations;
7. equitable transition planning and implementatio~~n~~; and
8. alignment of remuneration with achievement of the strategy and goals.

TelstraSuper will also consider the advice of our proxy advisor and other climate change experts who may be engaged by TelstraSuper when determining our vote on climate change matters.

7. Auditor Resolutions

TelstraSuper expects company boards to appoint independent auditors. In considering resolutions relating to company auditors, TelstraSuper will consider the history of the audit firm and any relationships outside of the audit relationship between the company and the audit firm.

8. Securityholder Resolutions

TelstraSuper will assess securityholder resolutions on a case-by-case basis, in the context of how they support or maintain value creation over the long term. Resolutions should be linked to improved corporate governance or transparency within the company. TelstraSuper will judge each resolution based on what is in the best financial interests of Fund members and a thorough assessment of any potential impacts on the company.

9. Smaller Companies

TelstraSuper recognises that smaller companies (i.e. ex the ASX200 and/or more recently listed) may not meet all of our corporate governance expectations. TelstraSuper engages with these companies to encourage continuous improvement but depending on the circumstances we will take into consideration the maturity of the company and its willingness to improve, in our final voting decisions. TelstraSuper will take into account issues including:

(a) the size, market capitalisation and rate of growth of the company;
the company's willingness to engage with securityholders and undertake commitments for improvement; and

(b) a demonstrated capacity for change and evidence of improvement.