



MORNINGSTAR INVESTMENT MANAGEMENT AUSTRALIA

# Stewardship Report 2024

This report relates to Morningstar Investment Management Australia Limited, which forms part of the Morningstar Wealth business, which is owned by Morningstar Inc.



[morningstarinvestments.com.au](http://morningstarinvestments.com.au)

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# Who We Are





## A letter from the CIO



**Matt Wacher**

Chief Investment Officer, APAC  
Morningstar Investment Management Australia

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Throughout 2024 we have continued to vote and engage with companies on ESG issues to drive positive ESG outcomes and enhance shareholder value for our investors.

This Stewardship Report highlights the voting decisions and engagements that have been undertaken for companies held in portfolios that we manage on behalf of our clients.

With the assistance of the Morningstar Sustainalytics' Stewardship Services team, we have extended our engagement services beyond Strategy & Risk (also known as Material Risk Engagement), to include Incidents engagement and Themes engagement during

2024. This widening of the net has broadened our engagement interactions to not only include companies that need to improve their management of ESG risks, but now also include companies that may be leading the way forward on particular ESG themes and topics.

The primary aim of our stewardship voting and engagement activity with companies remains to drive better risk-adjusted return outcomes for our investors. We look forward to continuing to work with companies, alongside associates, Morningstar Sustainalytics and Glass Lewis, to deliver on this goal.

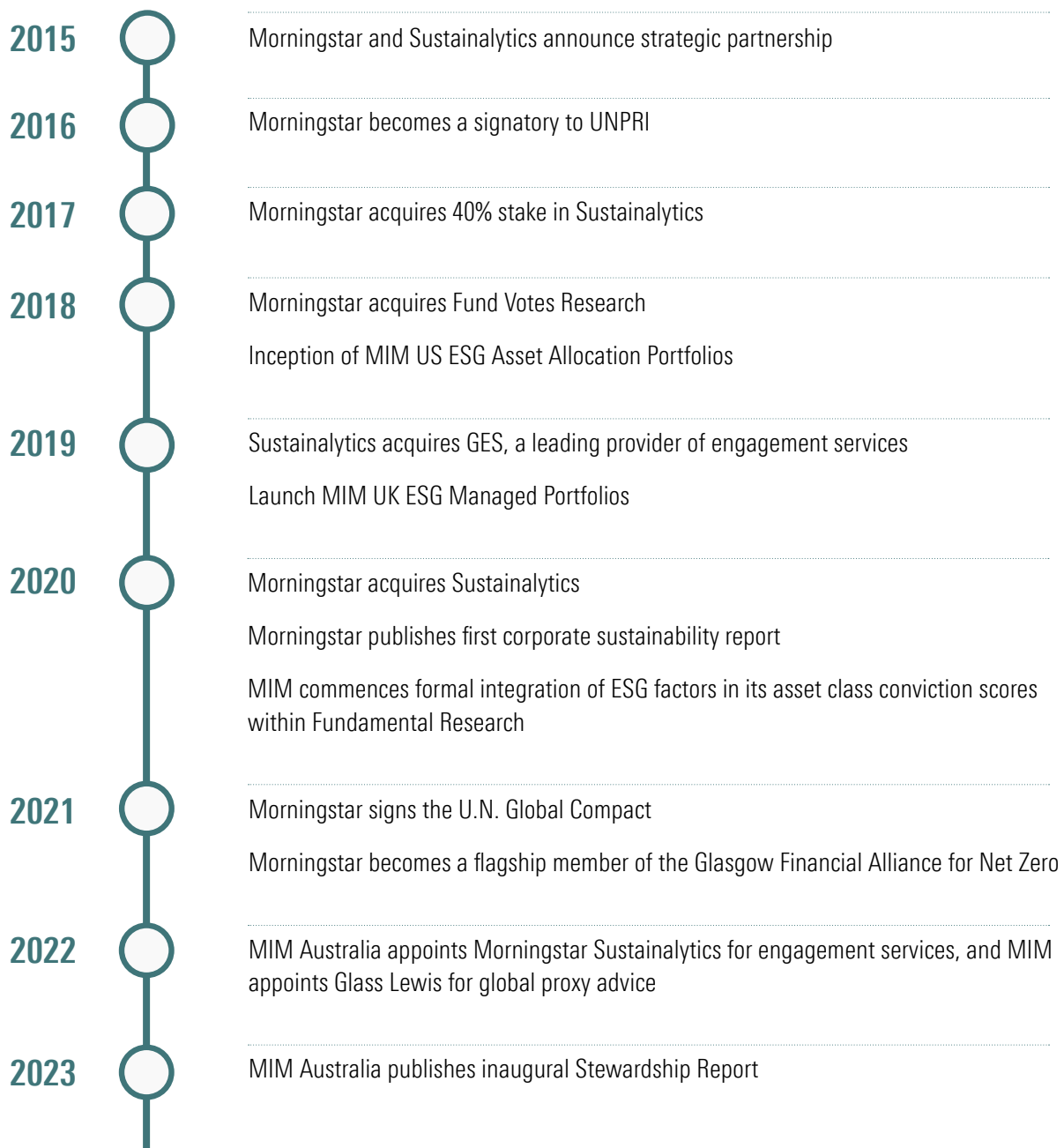
# Our ESG heritage



## A long-term commitment to ESG

Morningstar Inc., our parent company, can trace its ESG heritage back to 2009. This commitment has been embedded across the organisation, represented in Morningstar Sustainalytics, as well as our manager research, equity research, and investment management teams.

Morningstar Inc.'s latest annual corporate sustainability report, which discusses our company's sustainability efforts and practices, can be found [here](#).



## How our Investment Principles align with stewardship

In 2024, the global Morningstar investment management business revised its investment principles from seven to three core principles, emphasising the founding purpose of Morningstar: to empower investor success.

This thinking is embedded in Morningstar's day-to-day practices, and is always at the forefront of how our investment and research teams make decisions. These principles are the backbone of our research and investment process and are intended to guide our thinking, behaviour and decision making.

Morningstar Investment Management's three investment principles are as follows:

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# 01



### **We Champion Investors**

We believe that if investors win, we all win.

Our research heritage and portfolio construction experience allow us to make investment decisions that help investors meet their financial goals.

Investment decisions are made with the end investor in mind.

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# 02



### **We Take a Fundamental Approach**

We believe that fundamental factors, such as the quality of personnel and other factors that shape an investment's earnings potential, will drive returns.

Powerful analytics and models are behind our research and portfolios, giving us the confidence to take a long-term perspective.

We stand firm behind our investment views, even if they are unpopular. This means being willing to ride our market volatility.

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# 03



### **We Believe Price Matters**

We anchor on an investment's underlying intrinsic value, rather than fleeting news, sentiment or momentum.

Focusing on the difference between price and intrinsic value enables investors to get more than they're paying for.

We also believe controlling costs helps investors build wealth by letting them keep more of what they earn.



# Shareholder Voting





## Shareholder Voting

Our investment principle, “We champion investors”, is integral to how we undertake shareholder, or proxy, voting. By recognising the economic value of voting rights, and that exercising these rights is a fiduciary duty, we believe that we can fulfill our responsibility to end investors. We do this by using our proxy voting responsibilities to improve corporate governance, firm practices and allocation of capital, therefore enhancing corporate financial performance and best serving the end investor.

We undertake a principles-based approach to proxy voting, ensuring that our votes are aligned with our investors’ interests. We look to increase and/protect shareholder value of the long-term, ultimately putting our investors at the centre of each voting decision. We make vote determinations for our internally managed strategies and externally managed equities mandates by using the services of Glass Lewis as our proxy advisory services provider. We also seek support from our colleagues at Morningstar Sustainalytics.

In this chapter, you’ll find proxy voting statistics which indicate how we voted over the period from 1 January 2024 to 31 December 2024.



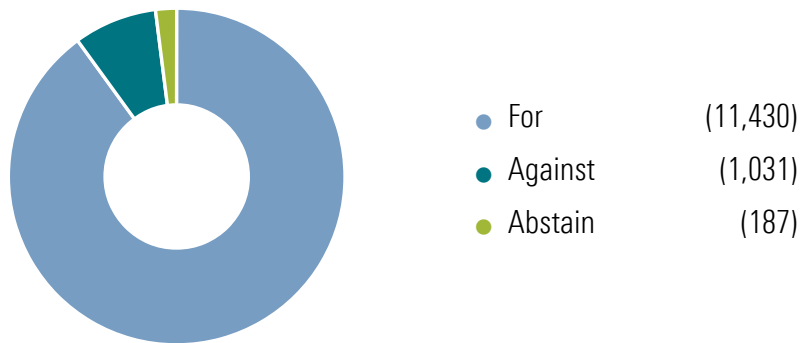
## Vote summary

The charts below demonstrate how Glass Lewis has voted on management proposals and shareholder proposals on our behalf. ‘Abstain’ votes, which make up the smallest percentage, include companies which include share-blocking practices, as well as companies that may be subject to sanctions. Share-blocking is when shareholders

can no longer trade the company’s shares after the shares have been voted — or registered to vote — until after the shareholder meeting. This can create liquidity issues for investors as the voting process continues.

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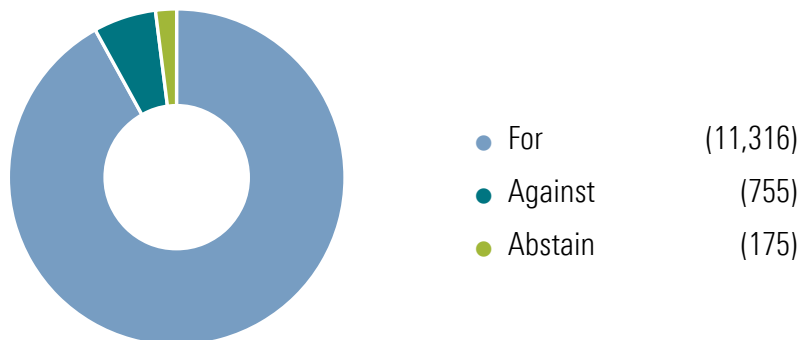
### Votes on Management and Shareholder Proposals



Source: Glass Lewis, data for 2024 Calendar Year.

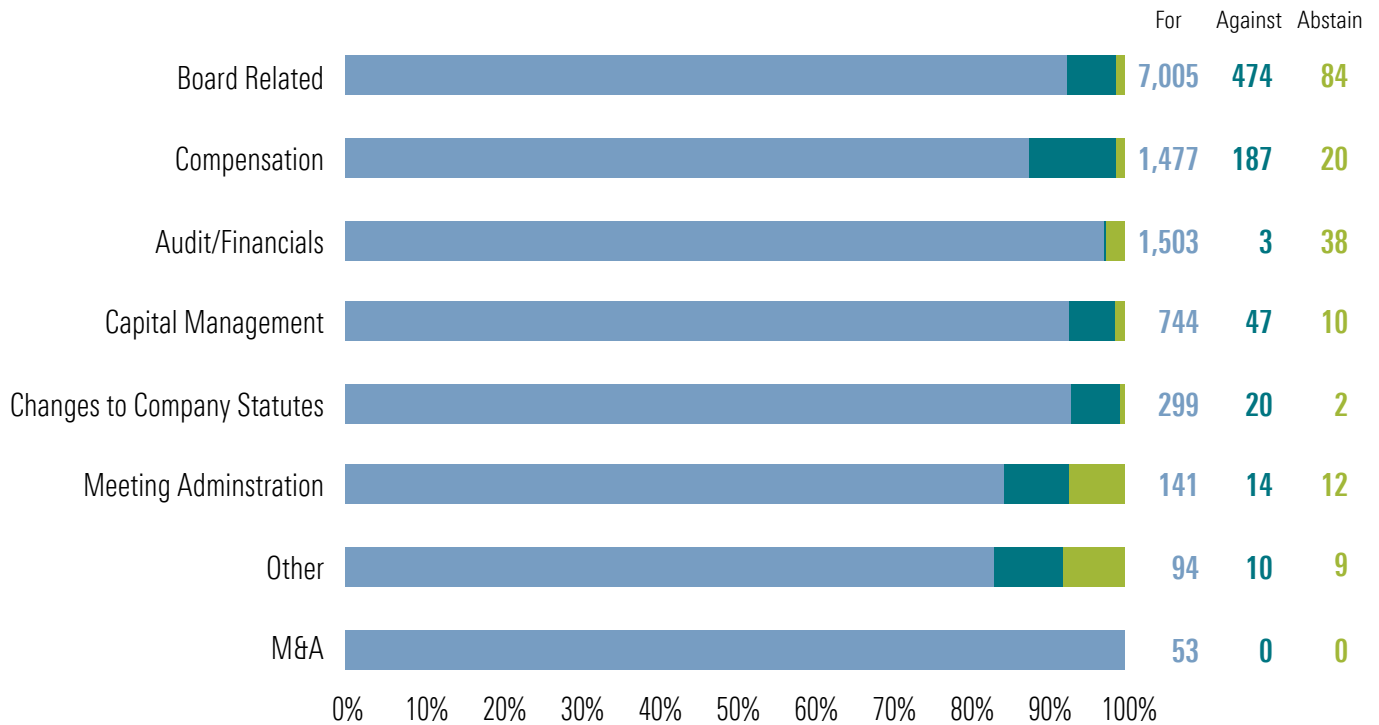
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### Votes on Management Proposals



Source: Glass Lewis, data for 2024 Calendar Year.

## Management proposals by category

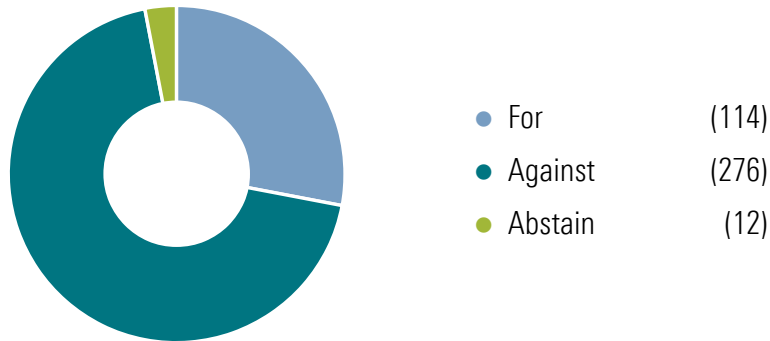


Source: Glass Lewis.

Management proposals mainly focus on governance matters. The main categories where we voted against management’s proposals are Board Related, Compensation, and Capital Management. Most of the Against Management votes within the Board Related category relate to the proposal topic of “Election of Directors”, while most of the Against votes within the Compensation category relate to the proposal topic of “Remuneration Reports” for key company executives.

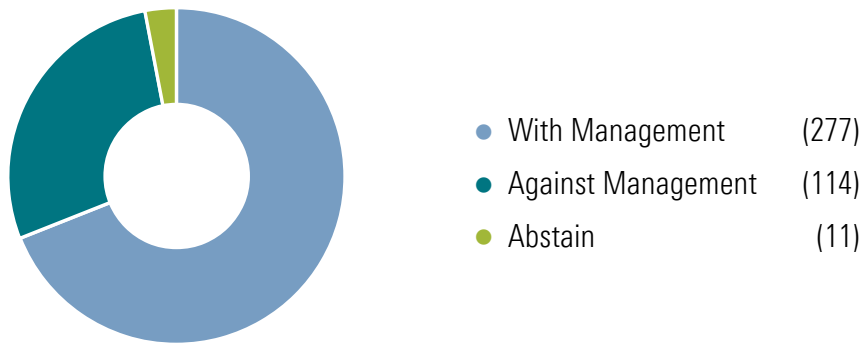


## Votes on Shareholder Proposals



Source: Glass Lewis, data for 2024 Calendar Year

## Votes on Shareholder Proposals – Votes versus Management



Source: Glass Lewis, data for 2024 Calendar Year

‘Not applicable’ votes appear in cases where management has not provided a recommendation, which can happen in instances where management has decided to take a neutral stance and defer to shareholder preference.

## Voting themes and trends

We use Glass Lewis as our proxy voting advisor and Morningstar Sustainalytics to provide an ESG voting policy overlay. In doing so, we are able to access an in-depth assessment of proxy voting recommendations and outcomes related to Environmental and Social proposals and shareholder-led resolutions. Morningstar Sustainalytics' ESG Voting Policy Overlay team applies a wide range of criteria to screen and identify resolutions that offer high ESG leverage in advancing sustainable business practices. Note that, as a result of this selectivity, Morningstar Sustainalytics's voting recommendations do not cover the full proposal voting universe related to MIM Australia's holdings.

By region, the US accounts for the largest share of the team's voting recommendations. Due to the timing of US annual general meetings predominantly taking place in the first half of the year, the first half of 2024 represents a significant observation period for voting themes and trends. In the first half of 2024, Morningstar Sustainalytics' ESG voting policy overlay team delivered 1,176 vote recommendations for 965 shareholder meetings across 47 markets, of which 987 vote recommendations related to sustainability-related

issues. Most of the sustainability-related resolutions continued to be filed by shareholders (782), representing almost 80% of total sustainability-related resolutions, with the remaining 205 items sponsored by company management.

Some of the notable and new voting trends and themes during 2024 included the following:

- US company management teams were more likely to challenge shareholder proposals (more US companies made more 'no-action' requests<sup>1</sup> to the US Securities and Exchange Commission and major energy company Exxon Mobil took the unprecedented step of filing a lawsuit against the shareholders proposing a climate-related resolution).
- Major North American banks were asked to disclose a new ratio which measures the proportion of clean energy supply funding versus fossil fuel supply funding.
- Anti-ESG resolutions rose but received lower levels of overall shareholder voting support.

<sup>1</sup>A 'no-action' request occurs when the US Securities and Exchange Commission (SEC) grants a company's request to exclude a submitted shareholder proposal from its annual proxy statement due to certain criteria being satisfied.



# Company Engagement





## Company Engagement

Implementing organisational change on both policy and strategy levels is a common priority for corporate management, but one that often depends on encouragement from strategic stakeholders to take effect. By using the services of Morningstar Sustainalytics, which acts as an extension of our team, we are able to undertake regular, constructive dialogue with investee companies on sustainability issues.

Morningstar Sustainalytics and its predecessors have 25 years' experience providing stewardship services. All our engagements are informed by Morningstar Sustainalytics' company research, creating a coherent approach to ESG issues across the investment value chain. Morningstar Sustainalytics engages with company representatives on our behalf, opening the door for us to tackle a wide range of issues. Our aim is to influence thoughtful and value-enhancing ESG actions with portfolio companies by working collaboratively with Morningstar Sustainalytics' engagement team. We may choose to engage with other investors, industry groups, and industry associates and bodies to formulate an approach that focuses on securing the best client outcomes.

During 2024 we signed up to Morningstar Sustainalytics' Engagement 360 service and extended our engagement services beyond Strategy and Risk engagement (Material Risk Engagement), to also include Incidents engagement and Themes engagement. Strategy and Risk engagement involves identifying companies that exhibit high levels of unmanaged ESG risks (as identified by Sustainalytics' ESG Risk Ratings) and then working with these companies' management teams to address and reduce these unmanaged risks. Incidents engagement involves engaging with companies that have experienced incidents which are not in compliance with accepted international conventions, such as the UN Global Compact, OECD Guidelines and other accepted standards. Themes engagements are proactive engagement services with select groups of companies that focus on specific ESG themes, including Biodiversity and Natural Capital, Human Capital Management, Net Zero Transition, Scaling Circular Economies, and Sustainability and Good Governance.

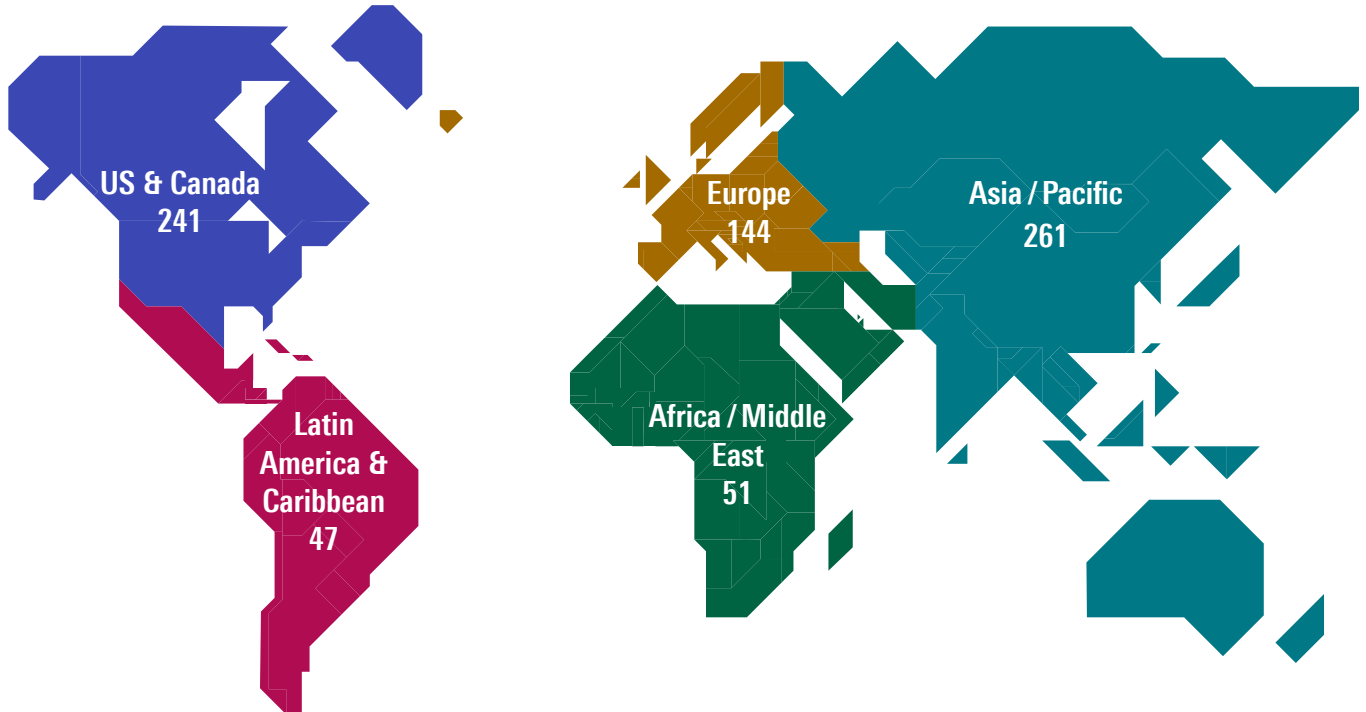


## 2024 Engagement statistics and topics

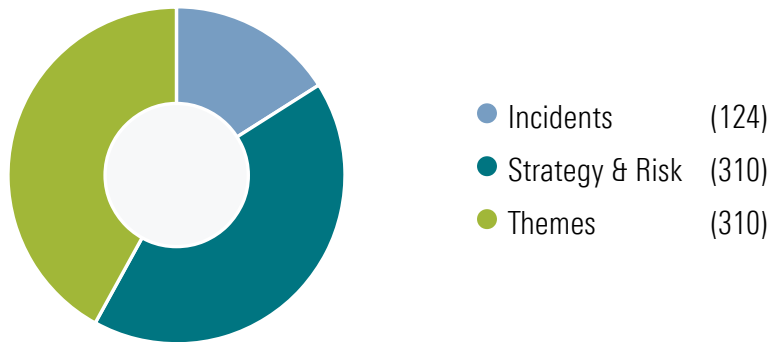
In 2024, Sustainalytics’s engagement team undertook 663 meetings with companies, while email and phone call correspondence totalled 8,246 interactions.

- 988** Number of active engagements during 2024 Calendar Year
- 744** Number of active engagements as at 31 December 2024
- 51** Number of engagements resolved over the 2024 Calendar Year
- 431** Number of milestones achieved over the 2024 Calendar Year

### Engagements by Headquarter Location

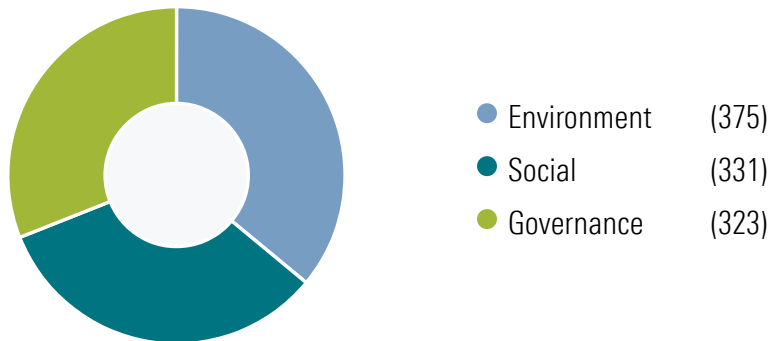


### Engagements by Focus Area



Source: Sustainalytics, data at 31 December 2024.

### Engagements by ESG Category



Source: Sustainalytics, timeframe shown for the 2024 Calendar Year.

### Engagement topics

Top 10 most engaged topics	Number of Engagements
Disclosure	247
Net Zero Decarbonization	212
Climate Change	188
ESG Governance	165
Water Security	135
Board Composition	134
Human Capital	95
Water Quality	89
Community Relations	86
Human Rights	82

Source: Sustainalytics, timeframe shown for the 2024 Calendar Year.

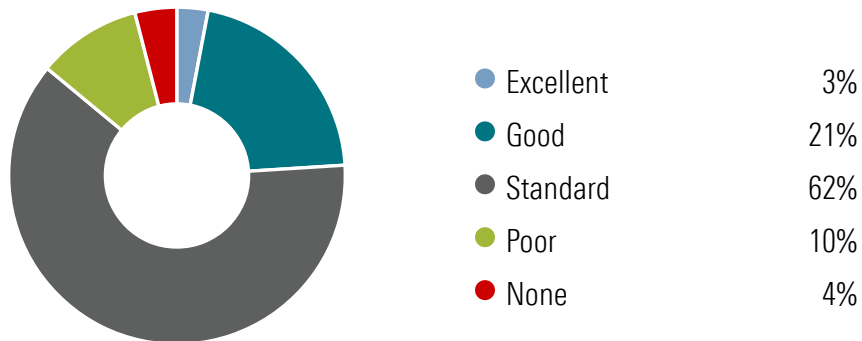


## Company Responses



Source: Sustainalytics, at 31 December 2024.

## Company Progress



Source: Sustainalytics, at 31 December 2024.

# UN Sustainable Development Goals

There are 17 Sustainable Development Goals (SDG), which were determined by the United Nations General Assembly in 2015.



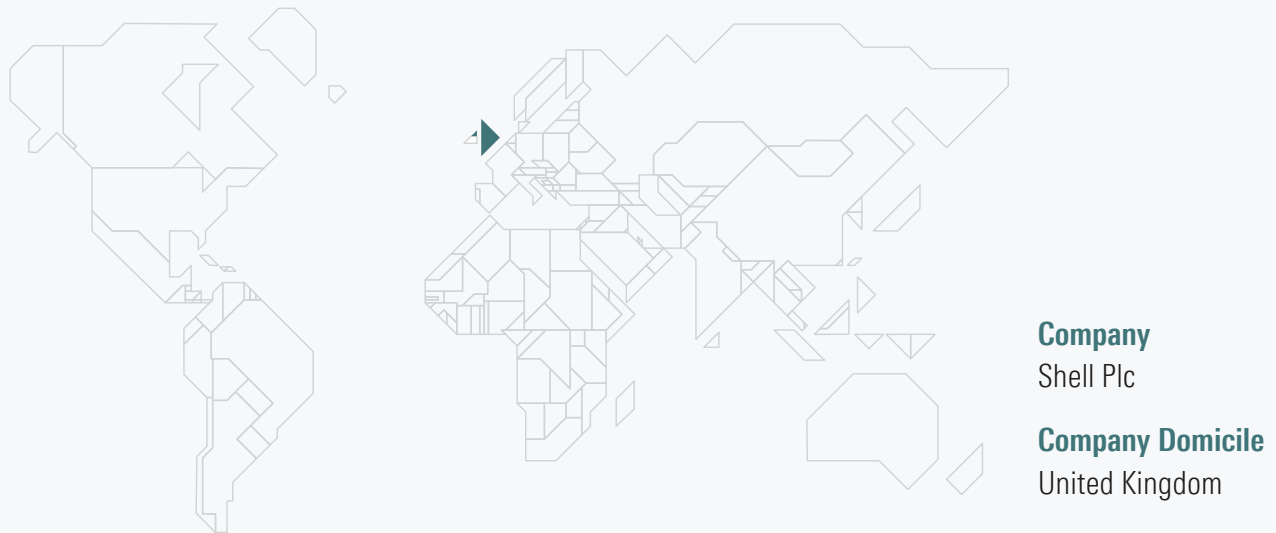
<sup>3</sup>Source: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

# Engagement Case Studies





## Strategy & Risk case study: Shell Plc



Shell Plc (Shell) is a company that produces oil and natural gas, and is headquartered in the United Kingdom. Shell Plc was held by Morningstar’s global opportunities equities strategy, and by all of our multi-asset portfolios, during 2024.

Shell Plc is currently assigned a ‘High Risk’ ESG Risk Rating by Sustainalytics. **Sustainalytics’ Risk Rating is equal to a company’s unmanaged risk score**, a calculation that determines the degree of unmanaged risk that a company bears.

*A company’s unmanaged risk score = total ESG risk exposure minus managed ESG risk*

Shell Plc.'s unmanaged risk (as at 31 December 2024)

$$\begin{array}{rcccl}
 \mathbf{38.1} & = & \mathbf{75.3} & - & \mathbf{37.2} \\
 \text{(unmanaged risk)} & & \text{(total risk)} & & \text{(managed risk)}
 \end{array}$$

Morningstar Sustainalytics started engaging with Shell Plc in October 2022. As a major oil and gas producer, Shell Plc is exposed to high environmental impacts relating to its material ESG risks associated with Emissions, Effluents and Waste, and Carbon – Products and Services. Sustainalytics’ engagement objective is to support Shell Plc in effectively managing its material ESG risks, including communicating its energy transition plans to all relevant stakeholders in a clear, transparent, and comprehensive manner.

Shell Plc have made the following notable positive developments over the past 18 months, which assist with achieving the engagement goal of communicating the group’s energy transition plans:

## Continued Strategy & Risk case study: Shell Plc

### Positive developments

1. In 2023, Shell Plc released its inaugural Climate and Energy Transition Lobbying Report (FY 2022), outlining its direct and indirect lobbying efforts and reviewing the alignment of 39 key industry associations.
2. In 2023, Shell Plc enhanced its emergency response and safety procedures by conducting large-scale exercises across multiple regions, establishing regional Emergency Response Leadership Councils, hosting annual emergency management conferences, and implementing Asset Integrity and Process Safety Management principles to ensure safety throughout the lifecycle of its assets.
3. Shell Plc disclosed the share of its overall company annual revenue that is derived from sustainability-related products and services in its 2023 Annual Report.

### Which SDGs are reflected here?<sup>2</sup>

The below symbols indicate how Sustainalytics' engagement efforts with Shell Plc align with three of the 17 SDGs.



#### Good Health and Well-being

The newly adopted Safety, Environment, and Asset Management (SEAM Standards) introduce a more differentiated, sector-specific approach to operations, aligning with industry standards to better reflect varying operating environments and unique safety and security risk profiles. Unlike the old framework, which was tailored specifically for Shell Plc, the new standards simplify contracting, onboarding, and alignment with industry best practices.



#### Responsible Consumption and Production

Shell Plc has implemented an industry-leading program for the responsible management of hazardous chemicals and waste, including robust oil spill prevention measures. The company has also streamlined its sustainability disclosures, enhancing accessibility, transparency, and external verification.

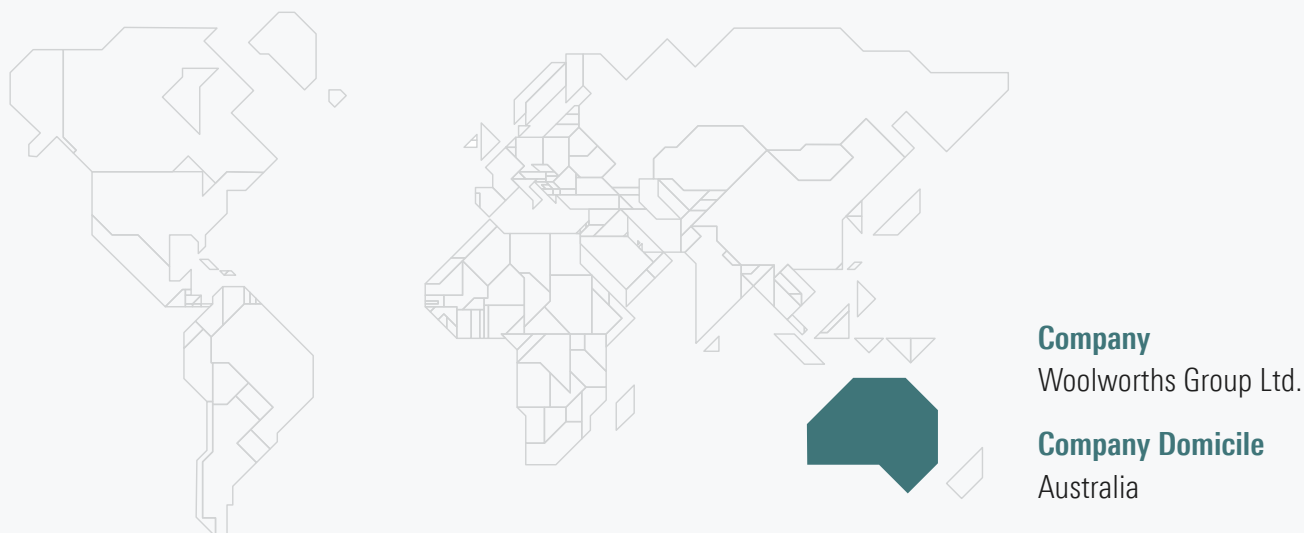


#### Climate Action

Shell Plc's energy transition strategy, "more value, less emissions," positions the transition as a commercial opportunity, focusing on competitiveness and timing. The company prioritizes offshore wind, green hydrogen for heavy industry, advanced biofuels for transport, and Carbon Capture, Utilization, and Storage (CCUS), adapting its investments to align with market opportunities and core strengths.

<sup>2</sup>Source: Sustainalytics and United Nations

## Biodiversity & Natural Capital Themes case study: Woolworths Group Ltd.



Woolworths Group Ltd. (Woolworths) is a company that operates general merchandise consumer stores and supermarkets and is headquartered in Australia. During 2024, Woolworths Group Ltd. was held by Morningstar's systematic and fundamental-based Australian equities strategy, several external managed Australian equities strategies, and by all of our multi-asset portfolios.

Sustainalytics' Biodiversity & Natural Capital Thematic Stewardship Programme aims to strengthen issuers' management of biodiversity-related impacts, risk and opportunities to support the transition toward a nature-positive economy. Woolworths Group Ltd. is highly exposed to biodiversity-related risks across its supply chains relating to food, beverage, pharmaceuticals, health care, household and personal products. Engaging with Woolworths Group Ltd. serves two objectives:

1. to mitigate Woolworths Group Ltd.'s nature-related risks which are linked to its products' supply chains, and
2. encourage Woolworths Group Ltd. to influence its suppliers, partners and competitors to contribute towards the vision set out in the Global Biodiversity Framework.

Morningstar Sustainalytics started engaging with Woolworths Group Ltd. in October 2022. Over the past two years, Woolworths Group Ltd. has reached the milestone of acknowledging its risk exposure to biodiversity and nature, and has signalled its intention to align its reporting with the Taskforce on Nature-related Financial Disclosures (TNFD). To progress further on mitigating Woolworths Group Ltd.'s nature-related risks, Morningstar Sustainalytics has encouraged Woolworths Group Ltd. to further develop its strategy to manage its identified nature-related risks and implement relevant metrics and targets to address its material nature-related risks.

## Continued Biodiversity & Natural Capital Themes case study: Woolworths Group Ltd.

### Which SDGs are reflected here?<sup>3</sup>

The below charts indicate how Sustainalytics' engagement efforts with Woolworths Group Ltd. align with three of the 17 SDGs.



#### Climate Action

Encouraged that Woolworths Group Ltd. set targets and metrics to manage its nature-related impacts and dependencies, building climate resilience.



#### Life Below Water

Recommended Woolworths Group Ltd. assess its water-related risk across its supply chain and transparently disclose the assessment results.



#### Life on Land

Suggested that Woolworths Group Ltd. provide an overview of targets and publicly disclose the company's progress of its commitment to adopting sustainable and regenerative agriculture practices.

<sup>3</sup>Source: Sustainalytics and United Nations



## Scaling Circular Economies Themes case study: Bayerische Motoren Werke



### Company

Bayerische Motoren  
Werke AG

### Company Domicile

Germany

Bayerische Motoren Werke AG (BMW) is a company that manufactures and sells automobiles and motorcycles, and is headquartered in Germany. During 2024, BMW was held by Morningstar's global opportunities equities strategy, and by all of our multi-asset portfolios.

The circular economy is a model of production and consumption which looks to mitigate waste and discarded products, by prolonging and extending the useful life of products and services. Sustainalytics' Scaling Circular Economies engagement programme aims to promote strategies that seek circular solutions across a target group of companies that supply products and services that meet everyday consumer needs. Sustainalytics has chosen to engage with companies in the automotive value chain as a starting point.

Morningstar Sustainalytics started engaging with BMW in relation to the company's awareness and adoption of circular economy solutions in 2024, but has engaged with the company in the past on other ESG themes and topics. BMW is conducting several promising initiatives to help promote a circular economy. These initiatives include considering circularity at the design stage and increasing the share of secondary materials that can be used in its vehicles. The company has observed in its public reporting that the use of secondary materials helps to reduce carbon emissions, by up to 80% for aluminium and up to 70% for steel, for example. On a practical level, BMW is leading the 'Car2Car funding project' with other industrial and scientific community stakeholders to improve the quality of secondary raw materials obtained from recycling end-of-life vehicles. Going forward, Sustainalytics will be looking to gain a deeper understanding of BMW's measurable results and targets in relation to its circular economy initiatives.

## Continued Scaling Circular Economies Themes case study: Bayerische Motoren Werke

### Which SDGs are reflected here?<sup>4</sup>

The below charts indicate how Sustainalytics' engagement efforts with BMW align with one of the 17 SDGs.





#### Responsible Consumption & Production

Suggested that BMW assess the environmental benefit potential, the upscaling potential and challenges of its most important circular-economy related initiatives. BMW should also account for recycled content and set an improvement target.

<sup>4</sup>Source: Sustainalytics and United Nations

## Contact your local Adviser Solutions representative

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-  <https://morningstarinvestments.com.au/>

### About Morningstar Investment Management Australia

Drawing on our core capabilities in asset allocation, investment selection, and portfolio construction, Morningstar's Investment Management group provides a global point of view and local market experience. Our investment professionals, located around the world, are guided by core principles focused on long-term investment results and helping end investors reach their financial goals. Built around investment strategies and harnessing the global resources of Morningstar, Inc., our investment offerings support financial advisors, institutions, and the investors they serve. Morningstar Investment Management Australia provides professional guidance and access to strategies that can help investors reach their financial goals.

