



**MORNINGSTAR INVESTMENT MANAGEMENT AUSTRALIA**

# Stewardship Report 2025

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

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# Who We Are



## A letter from the CIO



**Matt Wachter**

Chief Investment Officer, APAC  
Morningstar Investment Management

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Our 2025 Stewardship Report highlights the voting decisions and engagement activities undertaken for companies held within the portfolios we manage on behalf of our clients.

Throughout the year, we continued to collaborate with Glass Lewis and Morningstar Sustainalytics to exercise proxy voting and engage with companies on key ESG issues, with the goal of enhancing long-term shareholder value for our investors.

In 2025, the three most common engagement topics were Climate Change – Transition Risk, Disclosure, and ESG Disclosure. While ESG priorities may evolve over time, our approach remains holistic. We focus on proxy voting and engagement across Strategy & Risk (also referred to as Material Risk Engagement), incident-related engagement, and thematic engagement, leveraging the expertise of Morningstar Sustainalytics' Stewardship Services team.

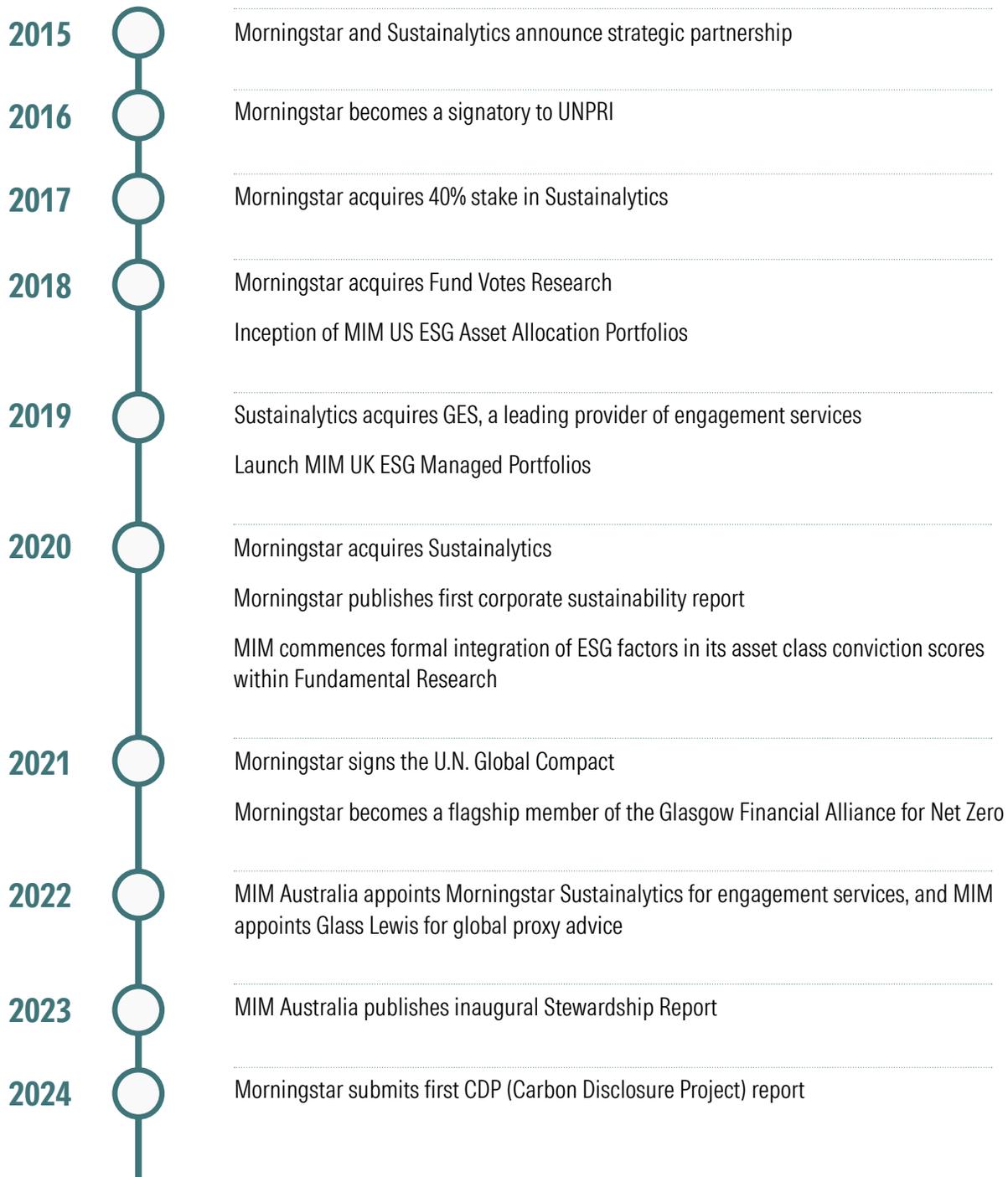
Our stewardship activities are designed to drive better risk-adjusted return outcomes for our investors. We look forward to continuing our work with companies, alongside our partners at Morningstar Sustainalytics and Glass Lewis, to deliver on this objective.

# Our ESG heritage



## Our ESG heritage and commitment

Morningstar Inc.'s ESG heritage dates back to 2009. Morningstar's commitment to ESG resources and analysis is integrated throughout the entire organisation. You can explore our latest annual Corporate Sustainability Report, which details our sustainability initiatives and practices [here](#).



## How our Investment Principles align with stewardship

Morningstar Investment Management's three investment principles embody Morningstar's founding purpose: to empower investor success. These principles are foundational to how we make investment and research decisions and provide sound guidance to delivering on our investment objectives.

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 make 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 first investment principle, “We champion investors”, is central to how we approach shareholder (or proxy) voting. We recognise that voting rights carry economic value and that exercising these rights is a core fiduciary responsibility. We believe proxy voting can influence corporate financial performance, ultimately benefiting end investors.

We follow a principles-based approach to proxy voting as we believe this is the best way to ensure that our proxy votes align with our investors’ long-term interests. Our overarching proxy voting principle is to vote in ways

that increase or protect shareholder value over time. To maintain a consistent “common voice” on voting matters, we make determinations for both our internally managed strategies and externally managed equities mandates. In doing so, we use the services of Glass Lewis as our proxy advisory services provider, supported by 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 2025 to 31 December 2025.



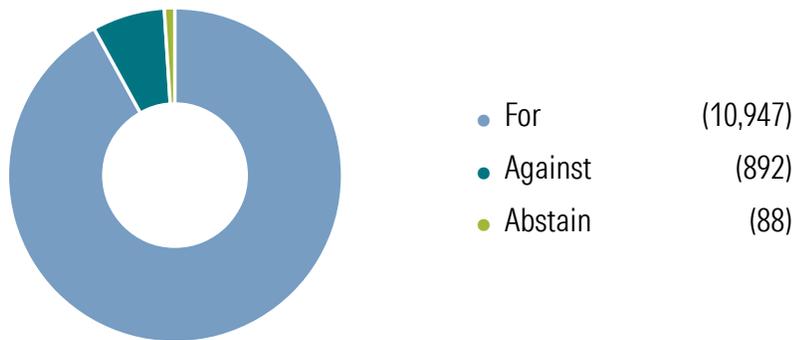
## Vote summary

The charts below illustrate how Glass Lewis voted on management and shareholder proposals on our behalf. The smallest sections of the graphs, labelled 'Abstain,' represent votes involving companies that employ share-blocking practices or may be subject to sanctions. In this context, share-blocking occurs when shareholders are

unable to trade a company's shares after they have been voted, or registered to vote, until the shareholder meeting concludes. This restriction can create liquidity challenges for investors during the voting process.

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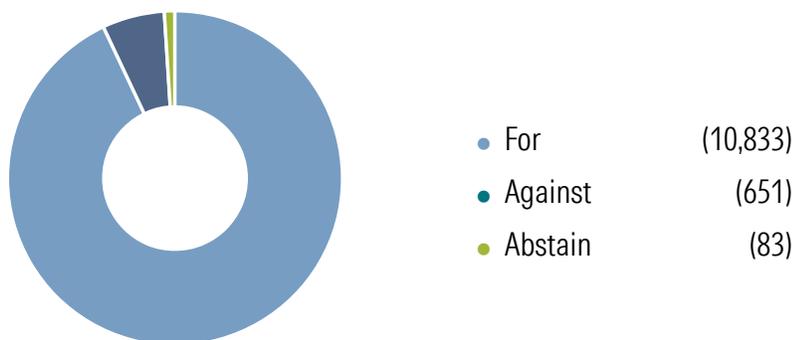
### Votes on Management and Shareholder Proposals



Source: Glass Lewis, data for 2025 Calendar Year.

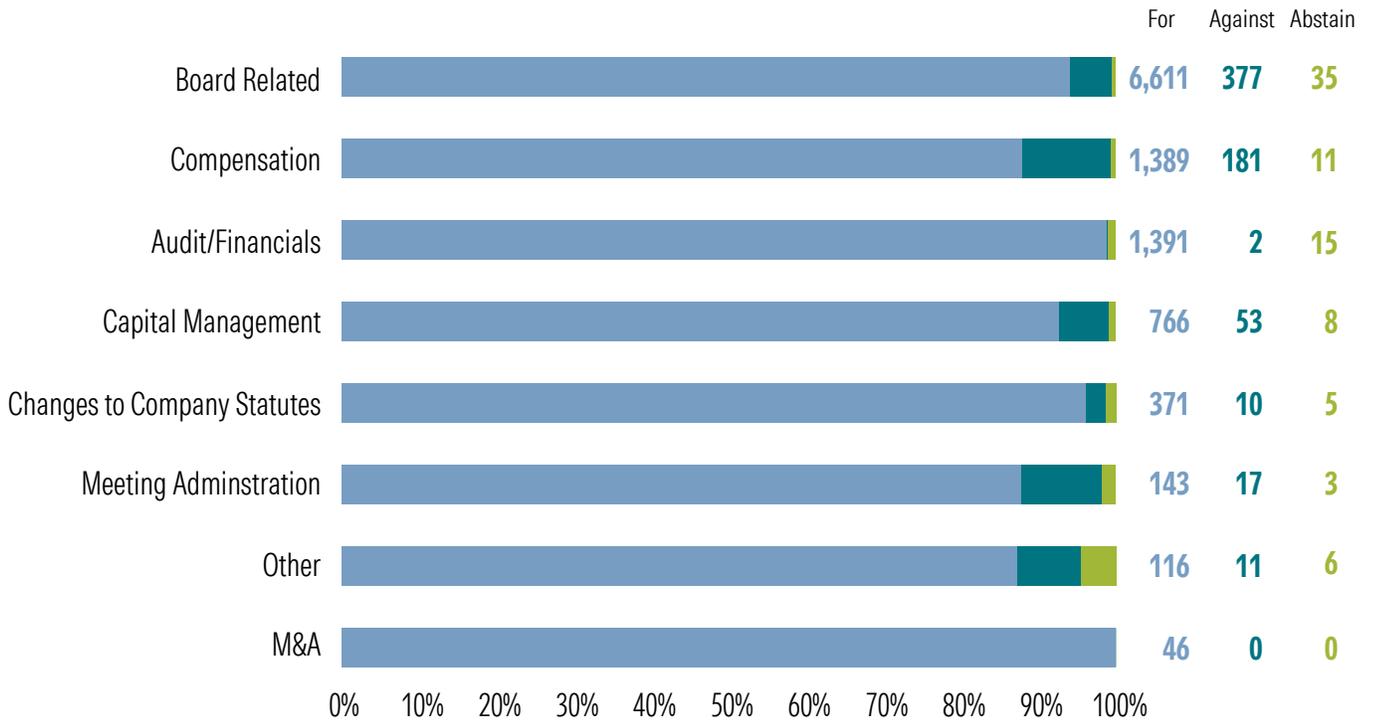
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### Votes on Management Proposals



Source: Glass Lewis, data for 2025 Calendar Year.

## Management proposals by category



Source: Glass Lewis, data for 2025 Calendar Year.

Most management proposals focus on governance matters, with environmental and social proposals featuring less frequently. Compared to 2024, we voted less “Against” votes in relation to management proposals in 2025, and recorded more “Abstain” votes in total, and in particular within the Board Related and Compensation categories.

## Votes on Shareholder Proposals

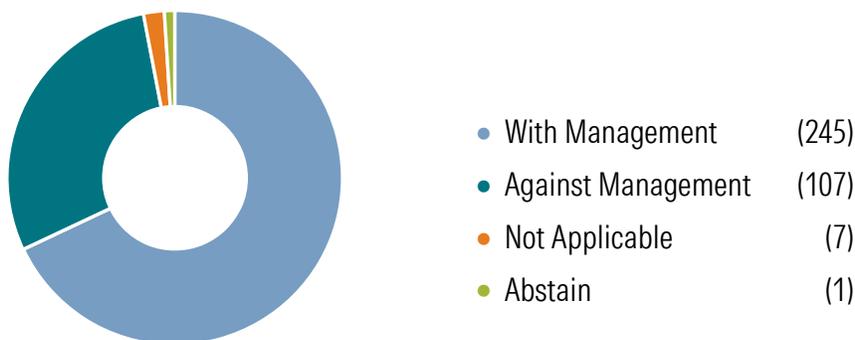


Source: Glass Lewis, data for 2025 Calendar Year.

As has been the case in previous years, we voted more “Against” shareholder proposals than we voted “For” shareholder proposals. While it may be expected that we would vote in favour of all shareholder proposals, there are a few good reasons why we do not vote “For” all shareholder proposals. The main reasons why we chose to vote more “Against” votes are: 1) that some shareholder proposals look to benefit only a specific group of shareholders at the expense of other (and usually, the majority of) shareholders, 2) the time and cost associated with fulfilling the shareholder proposal outweighs the benefit of the proposal, and/or 3) the company’s management team is unable to fulfill all shareholder proposals given limited resources and other competing priorities and we as shareholders need to consider whether fulfilling the proposal is the best use of the company’s resources.

## Votes on Shareholder Proposals – Votes versus Management

The below chart shows how our votes aligned with a company’s management team’s recommendations in relation to all shareholder proposals put forward. Our votes have aligned with management’s recommendations almost 70% of the time.



Source: Glass Lewis, data for 2025 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 have engaged Glass Lewis as our proxy voting advisor and Morningstar Sustainalytics to provide an ESG voting policy overlay. This approach enables us to access detailed assessments of proxy voting recommendations and outcomes, particularly for Environmental and Social proposals and shareholder-led resolutions. Morningstar Sustainalytics' ESG Voting Policy Overlay team applies a broad set of criteria to screen and identify resolutions aimed at promoting sustainable business practices. However, because of this targeted screening process, which narrows the coverage universe, Morningstar Sustainalytics' voting recommendations do not encompass all proposals related to MIM Australia's holdings.

By region, the US continues to account 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 each calendar year represents a significant observation period for voting themes and trends. In the first half of 2025, Morningstar Sustainalytics' ESG voting policy overlay team delivered 1,231 vote recommendations for 1,131 shareholder meetings across 45 markets, of which 1,140 vote recommendations related to sustainability-related issues. While a majority of the sustainability-related resolutions continued to be filed by shareholders (683), representing about 60% of total sustainability-related resolutions, this proportion was lower than the corresponding period in 2024 where almost 80% of sustainability-related resolutions were shareholder-led.

Notable voting trends and themes during 2025 included the following:

Support for both DEI and DEI-Pushback proposals fell in 2025. Workplace diversity proposals fell to 21 resolutions in total, and received an average voting support level of 15% from shareholders. DEI-Pushback proposals, that is, proposals that seek to limit or eliminate diversity, equity and inclusion initiatives, fell to their lowest level since they were first voted, totaling 49 proposals in the first half of 2025, with an average non-affiliated shareholder support level of only 1.6%. The drop in interest in DEI-related proposals likely reflects the recent shift in the regulatory environment.

US company management teams continued to challenge shareholder proposals, and the US Securities and Exchange Commission published an updated interpretation of Rule 14a-8 as it relates to 'no-action' requests<sup>1</sup>, which likely resulted in more companies petitioning for proposal exclusions. Of note, energy group Exxon Mobil received no ESG-related resolutions in 2025, which is the first time this has occurred in 31 years. It is likely that shareholders were deterred from initiating ESG-related resolutions after the company had filed a lawsuit in 2024 against shareholders who had proposed a climate-related resolution.

AI-related proposals received increased attention in 2025, with 23 AI-related resolutions averaging 16% shareholder voting support in the first half of 2025. Topics for these resolutions included responsible AI governance, and increased disclosure on AI risks, use and oversight.

<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

We partner with Morningstar Sustainalytics' engagement team, which acts as an extension of our own, to maintain regular, constructive dialogue with investee companies on key sustainability issues. By leveraging Sustainalytics' deep expertise and comprehensive research, we aim to encourage thoughtful, value-enhancing ESG actions across our portfolio. In addition, we may collaborate with other investors, industry groups, and associations to develop approaches that deliver the best outcomes for our clients.

Our engagement activities are supported by Morningstar Sustainalytics' Engagement 360 service, which covers engagements in three key areas: Strategy and Risk, Incidents, and Themes.

- Strategy and Risk engagement focuses on companies with high levels of unmanaged ESG risk (as identified by Sustainalytics' ESG Risk Ratings) and works with management teams to mitigate these risks.
- Incidents engagement addresses companies involved in events that breach international standards such as the UN Global Compact, OECD Guidelines, and other accepted conventions.
- Themes engagement is a proactive approach targeting select companies around specific ESG priorities, including Biodiversity and Natural Capital, Human Capital Management, Net Zero Transition, Scaling Circular Economies, and Sustainability and Good Governance.

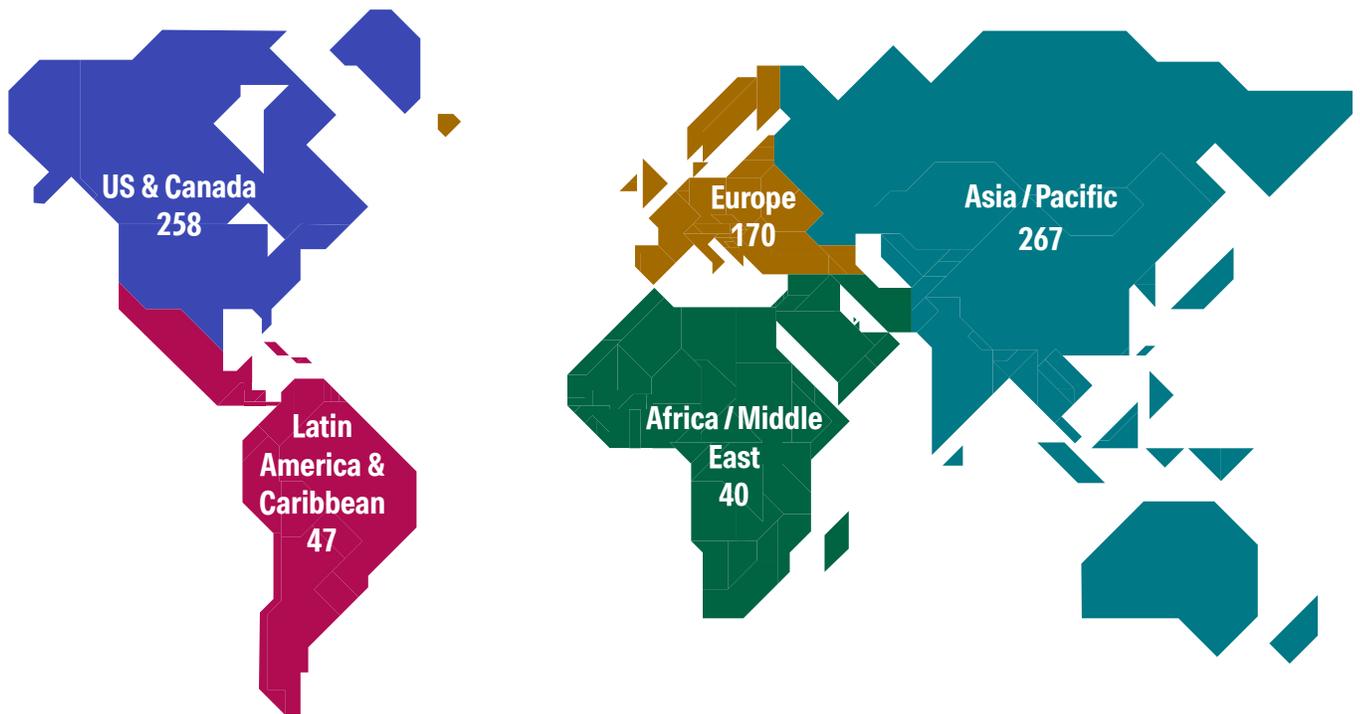


## 2025 engagement statistics and topics

In 2025, Sustainalytics’s engagement team undertook 831 meetings with companies, while email and phone call correspondence totalled 10,716 interactions.

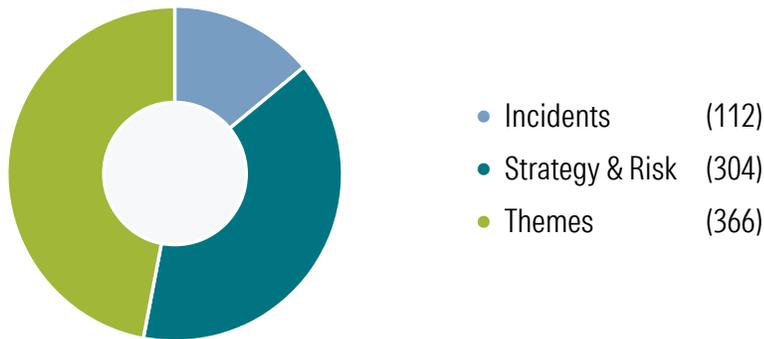
- 894** Number of active engagements for 2025 Calendar year
- 782** Number of active engagements at 31 December 2025
- 48** Number of engagements resolved over the 2025 Calendar year

### Number of engagements by Headquarter Location



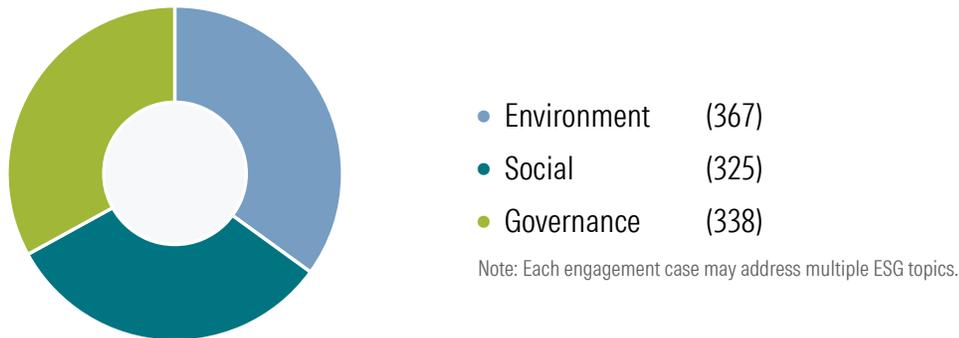
Source: Sustainalytics, data at 31 December 2025

## Engagements by Focus Area



Source: Sustainalytics, data at 31 December 2025

## Engagements by ESG Category



Source: Sustainalytics, data for the 2025 Calendar Year

## Engagement topics

Top 10 most engaged topics	Number of Engagements
Climate Change – Transition Risk	274
Disclosure	265
ESG Governance	164
Water Security	147
Board Composition	129
Human Rights	113
Just Transition	100
Human Capital	83
Water Quality	81
Waste Management	79

Source: Sustainalytics, data for the 2025 Calendar Year

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## Company Responses



Source: Sustainalytics, at 31 December 2025

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## Company Progress

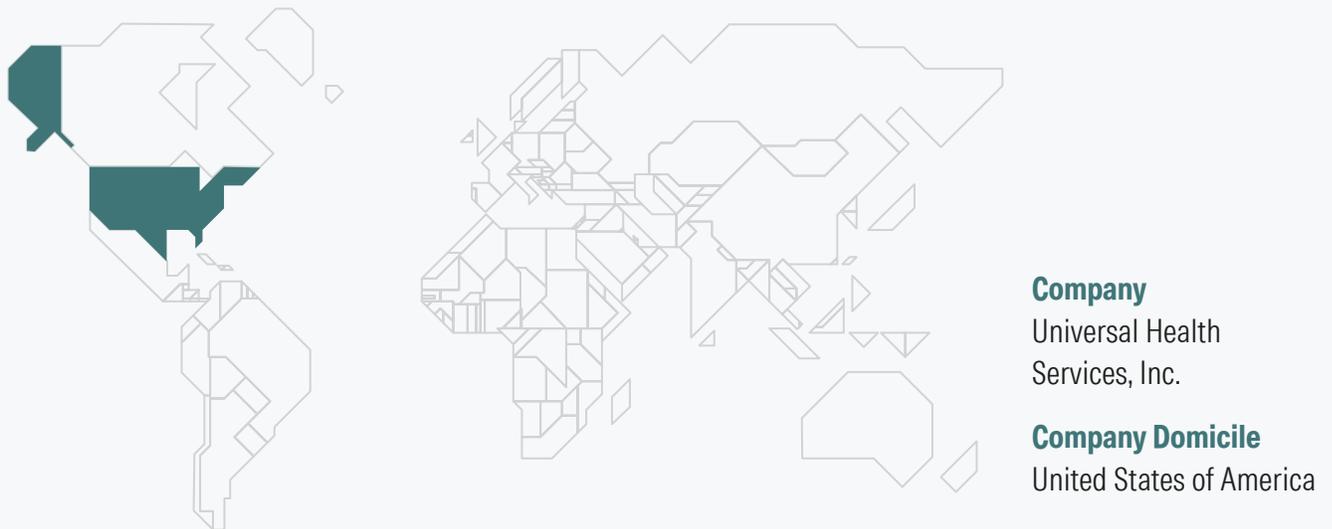


Source: Sustainalytics, at 31 December 2025

# Engagement case studies



## Strategy & Risk case study: Universal Health Services, Inc.



Universal Health Services, Inc. (Universal Health Services) is a company that provides hospital and healthcare services, and is headquartered in the United States of America. In 2025, Universal Health Services was held by Morningstar's systematic and fundamental-based global equities strategies, as well as all of our multi-asset portfolios.

United Health Services is currently assigned a 'Medium Risk' ESG Risk Rating by Morningstar Sustainalytics after the company improved its ESG Risk Rating score from a 'High Risk' ESG Risk Rating. Now that Universal Health Services' ESG Risk Rating has improved to a score below 28, its engagement status is considered to be resolved. **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*

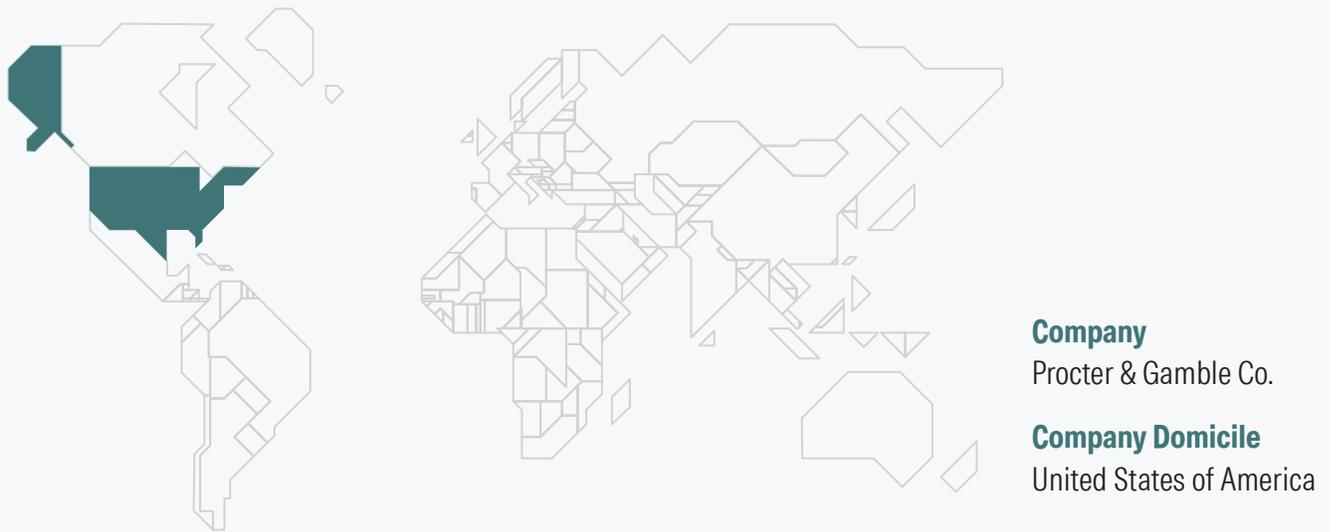
Morningstar Sustainalytics started engaging with United Health Services in January 2021, with the engagement focus centred on the company's Risk Assessment and ESG Disclosure practices. As a hospital and healthcare services provider, the group is exposed to two material risks relating to: 1) Business Ethics, and 2) Data Privacy & Cybersecurity.

Universal Health Services has made the following notable positive developments in relation to these two material risks:

### Positive developments

1. Universal Health Services has confirmed that all its employees receive mandatory training in relation to the company's Code of Conduct, anti-corruption practices, and compliance reporting obligations, both when they are hired and on an ongoing annual basis.
2. Universal Health Services has enhanced its emergency preparedness disclosures by ensuring that all facilities conduct annual training exercises and community emerging drills, and supports these practices with tailored hazard and vulnerability assessments. For instance, in 2023, the group's Environmental Risk and Emergency Management Team completed targeted training modules for leadership and conducted over 70 virtual and 47 on-site facility visits to strengthen the group's organizational readiness.

## Biodiversity & Natural Capital Themes case study: Procter & Gamble Co.



Procter & Gamble Co. (P&G), headquartered in the United States, is a leading manufacturer and seller of consumer packaged goods. In 2025, P&G was included in Morningstar's systematic and fundamental global equity strategies, as well as all of our multi-asset portfolios.

Biodiversity and Natural Capital Stewardship focuses on managing and protecting the natural environment to preserve its long-term economic and social benefits. Biodiversity refers to the variety of life and represents the living component of natural capital, while natural capital encompasses resources such as soil, water, and air.

Morningstar Sustainalytics began engaging with P&G on its Biodiversity and Natural Capital Stewardship Program in 2022. As one of the world's largest consumer goods manufacturers, P&G's operations depend heavily on natural resources, making responsible management of nature-related risks and impacts critical. The company has shared progress on its Forest Commodities Policy and environmental risk assessments across its value chain. P&G also integrates human rights into its nature strategy. For example, through a project supporting smallholder farmers in Malaysia to improve livelihoods and crop yields by promoting sustainable agricultural practices.

Additionally, P&G has addressed deforestation allegations in Indonesia, reassuring investors of its commitment to a deforestation- and conversion-free supply chain. Looking forward, Morningstar Sustainalytics plans to explore P&G's water stewardship practices, including how the company identifies water-related risks and implements basin-specific strategies and targets.

## Contact your local Adviser Solutions representative

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### 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.

