

MEDIA RELEASE: For immediate release

ACSI Governance Guidelines articulate investor expectations

ACSI has articulated its members' expectations for governance oversight at listed Australian companies, in its revised Governance Guidelines, published today.

ACSI CEO Louise Davidson said, "With AGM season almost over, it's important to reflect on governance standards for the coming year and to identify issues where change is needed.

"Our Guidelines are a clear statement by a significant group of investors about their expectations. They offer a unique insight into the issues of greatest material concern to large investors and how they reach their voting decisions."

The Guidelines articulate the issues we focus on in our engagement work and the factors we consider in determining our voting recommendations. We revise them every two years in consultation with our members to reflect the evolving regulatory and governance landscape.

Davidson said, "Companies that are well-governed and that effectively manage their environmental and social impacts are more sustainable over the long term."

The Guidelines state that directors should monitor environmental, social and governance (ESG) issues, assess their materiality and disclose any financial impacts on the company. In a new chapter, we provide practical examples of ESG oversight (including sources of investment risk and opportunities) on four key themes:

- climate change
- labour and human rights
- corporate culture
- tax disclosure.

This is the first guidance on these topics that ACSI has developed for Australian investors and companies.

Other new or expanded topics include:

- **Gender diversity:** how we will progress our policy to support a 30% target for women on boards.
- **Shareholder resolutions:** factors we take into account when evaluating shareholder resolutions.
- **Chairperson workload:** our expectations for managing the chair's capacity and other commitments.
- **Remuneration:** added factors to consider in the design of remuneration arrangements.

When assessing the performance of companies against the Guidelines, we take a pragmatic and commercial approach that takes into account the specific circumstances of each company. We consider a broad range of factors including the materiality of the issue, the context in which the issue arises and the size of the company. We also consider the length of time over which any shortcomings have occurred, any history of dialogue with the company on the issue, and whether there have been any improvements in company behaviour.

The Guidelines are an important resource for companies, asset managers and owners. You don't have to look much further than Australia's scandal plagued banking sector to see the impact of governance failures on company sustainability and community sentiment. It's vital to have a framework for evaluating governance practices and performance. We have been publishing the Guidelines since 2003, and they incorporate more than 14 years of accumulated governance expertise from ACSI and our members.

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For additional information about this release or to arrange an interview please contact:

Jane Rennie
Executive Manager, Communications and Public Relations
Australian Council of Superannuation Investors
P: +61 (0)3 8677 3881. Mob: 0425 869 017
E: jrennie@acsi.org.au

About ACSI

Established in 2001, ACSI exists to provide a strong, collective voice on environmental, social and governance (ESG) issues on behalf of our members. Our members include 37 Australian and international asset owners and institutional investors. Collectively, they manage over \$1.6 trillion in assets and own on average 10% of every ASX200 company. Our members believe that ESG risks and opportunities have a material impact on investment outcomes. As fiduciary investors, they have a responsibility to act to enhance the long-term value of the savings entrusted to them. Through ACSI, our members collaborate to achieve genuine, measurable and permanent improvements in the ESG practices and performance of the companies they invest in. ACSI staff undertake a year-round program of research, engagement, advocacy and voting advice. These activities provide a solid basis for our members to exercise their ownership rights.