

# AUSTRALIAN ASSET OWNER STEWARDSHIP CODE

## FREQUENTLY ASKED QUESTIONS



### WHY HAS A STEWARDSHIP CODE BEEN DEVELOPED?

Stewardship refers to the responsibility asset owners have to exercise their ownership rights to protect and enhance long-term investment value for their beneficiaries by promoting sustainable value creation in the companies in which they invest.

Stewardship activities include voting, engagement (with companies in which asset owners are invested), policy advocacy and consideration of stewardship capabilities in the selection, appointment and monitoring of external asset managers

The Australian Council of Superannuation Investors (ACSI) has developed this Code with and for Australian asset owners to promote good practice stewardship in their role as providers of capital. The Code is designed to play a key role in influencing the behaviour of asset managers.

Greater transparency about asset owners' stewardship practices will lead to increased accountability to beneficiaries and other stakeholders. Ultimately, this will assist with setting the tone for stewardship in Australia.

### HOW DOES THE CODE DIFFER FROM EXISTING REGULATORY REQUIREMENTS?

The Code provides principles and guidance to assist with the implementation and transparency of asset owners' stewardship practices, in fulfilling their fiduciary obligations to their beneficiaries. This is the first guidance developed specifically for Australian asset owners.

The Code is consistent with and builds on:

- APRA Prudential Practice Standard SPS 530 – investment Governance in relation to Investment Objectives which references ESG considerations.<sup>1</sup>
- Section 29QB of the Superannuation Industry (Supervision) Act 1993 (Cth) and associated regulations and class orders, which require that superannuation funds disclose their voting policies and provide a summary of when and how the entity has exercised its voting rights in relation to shares in listed companies.

### WHAT ARE THE KEY REQUIREMENTS OF THE CODE?

The Code sets out six principles which signatories should implement on an 'if not, why not' basis:

1. Publicly disclose how they approach their stewardship responsibilities.
2. Publicly disclose their policy for voting at company meetings and voting activity.
3. Engage with companies (either directly, indirectly or both).
4. Monitor asset managers' stewardship activities.
5. Encourage better alignment of the operation of the financial system and regulatory policy with the financial interests of long-term investors.
6. Report to beneficiaries about their stewardship activities.

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<sup>1</sup> See Section 2 AIST's Investment Governance Toolkit.

Signatories to the Code are required to publish a statement on their website that:

- Describes how the signatory applies each of the principles in the Code; or
- If one or more of the principles have not been applied, describes why the signatory has not adopted those elements.

### IS THE CODE MANDATORY?

The decision whether or not to become a signatory to the Code is voluntary. ACSI will maintain an online list of asset owner signatories who have adopted the Code, including contact details for each signatory and a link to their Stewardship Statement.

The Code applies a principles-based approach that allows asset owners to adapt their stewardship approach, rather than reporting prescriptively against its guidance. Guidance has been provided for each of the principles by way of example. These are suggestions only, and should not be regarded as mandatory.

A principles-based approach is consistent with the approaches adopted in the ASX Corporate Governance Principles and Recommendations and the APRA Prudential Standards applicable to superannuation funds.

### WHEN WILL THE CODE COME INTO EFFECT?

While we encourage early adoption, asset owners who adopt the Code must publish a Stewardship Statement on an 'if not, why not?' basis for the period 1 July 2018 to 30 June 2019 by or before 30 September 2019. Depending on the date of signing, initial Stewardship Statements may be for an earlier period or part year. Signatories are encouraged to review their own stewardship statement at least every two years and update it where necessary to reflect changes in stewardship practice. Signatories should notify us if their statement is revised.

### HOW WILL ASSET OWNERS REPORT AGAINST THE CODE?

Signatories are expected to publish a statement on their website that:

- Describes how the signatory has applied each of the principles of the Code, or
- If one or more of the principles have not been applied, an explanation as to why the signatory has not complied with those elements of the Code.

This 'if not, why not' model is consistent with the ASX Corporate Governance Principles and Recommendations and the approach adopted by the FSC Standard 23: Principles of Internal Governance and Asset Stewardship, and several other international stewardship codes.

Disclosures should be easily accessible on an asset owner's website. Disclosures could include links to engagement, voting, responsible investment or sustainability reports, annual reports, or other voluntary disclosures etc.

### HOW DO PRINCIPLES 1 AND 6 DIFFER?

Principle 1 requires each signatory to describe its approach to stewardship having regard to its size, membership and resourcing, etcetera. Principle 6 requires signatories to report regularly to its beneficiaries about the stewardship activities it undertakes. This requirement will support accountability for the delivery of stewardship activities.

## IS ADDITIONAL ASSISTANCE AVAILABLE TO ASSIST ASSET OWNERS TO IMPLEMENT THE CODE?

Guidance has been provided for each of the principles by way of example and should assist asset owners to implement the Code.

In addition, ACSI members may find it useful to refer to the following resources and services in response to Principles 2, 3 and 5:

### Principle 2

- Members could disclose that they have adopted the ACSI Governance Guidelines (or participated in the drafting or approval process), if applicable.
- Subscribers to ACSI's voting services could reference this service, which is based on the ACSI Governance Guidelines.

### Principle 3

- Members could disclose that their fund supports collective engagement through its membership of ACSI, broad engagement themes and outcomes.
- Members who participate on ACSI's Member Council or Board could disclose that they have input into setting the engagement priorities for ACSI.
- Members could disclose if they attend engagement meetings facilitated by ACSI.
- Members could disclose how they monitor ACSI's activities.

### Principle 5

- Members could disclose that through ACSI they encourage policy makers to better align the operation of the financial system and regulatory policy with the interests of long-term investors and highlight examples of policy advocacy undertaken by ACSI over the relevant period.

ACSI would be happy to hold discussions with asset owners who would like further assistance with their disclosures. Requests for briefings can be made to [info@acsi.org.au](mailto:info@acsi.org.au).