

Australian Asset Owner Stewardship Code

March 2024

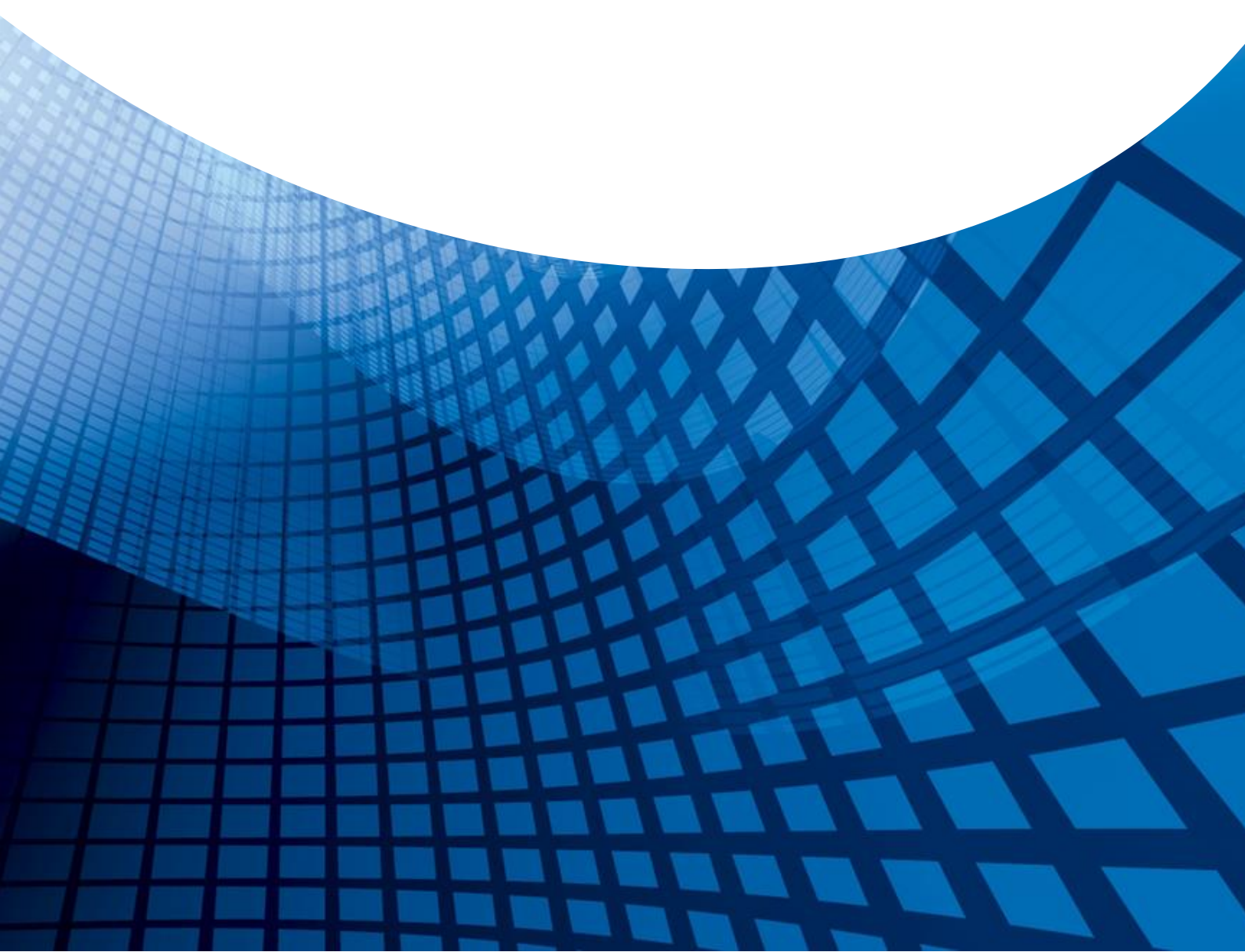


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Introduction

Stewardship has long been considered an essential part of an investor's fiduciary duty.¹ It is a key element of asset owners' governance and risk management strategies, and studies show poor investor engagement and stewardship practices can lead to greater investment risk.² There is also growing recognition of stewardship as a tool to reduce market-wide investment risks which may impact beneficiaries' long-term financial returns.³ Effective stewardship benefits companies, asset owners, beneficiaries and the economy as a whole,⁴ however the primary focus is on the best financial interests of superannuation fund members.

Australian asset owners have a long history of stewardship activity, including engaging with companies and voting their shareholdings to protect and enhance long-term value for their beneficiaries.

In its Sustainable Finance Strategy consultation, the Commonwealth Treasury recognises investor stewardship, describing it as 'the active exercise of asset ownership rights to advance the long-term interests of beneficiaries.'⁵ Industry efforts to harmonise responsible investment terms proposed stewardship be defined as the 'use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social and environmental assets on which their interests depend.'⁶

Stewardship codes are an important part of markets around the world, with examples including the UK Stewardship Code⁷ and the Aotearoa New Zealand Stewardship code.⁸ APRA's SPG 530 Investment Governance acknowledges stewardship activities can generate value and be a prudent investment management tool.⁹ That guidance outlines APRA's expectation that RSE licensees demonstrate an understanding of the risks and opportunities in a range of ESG factors, be able to demonstrate how these risks are integrated into investment analysis, decision making and oversight and make appropriate resourcing available to identify and respond to material ESG factors.¹⁰ It is also broadly recognised that disclosure by asset owners of their stewardship activity is an important accountability mechanism.

In 2018, in consultation with stakeholders, a group of superannuation funds established principles to guide asset owners in exercising their ownership rights: the Australian Asset Owners Stewardship Code ('the Code'). The Code articulates these principles to guide asset owners in demonstrating

¹ Principles for Responsible Investment, 2021, [Stewardship](#).

² [Communicating on Stewardship: Advice for Investors and Asset Managers](#) Parliamentary Joint Committee on Corporations and Financial Services (2008), [Better Shareholders – Better Company: Shareholder Engagement and Participation in Australia](#).

³ RIAA Stewardship Report: [Current Trends in Stewardship Practice](#), page 16.

⁴ [FRC UK Stewardship Code 2020](#).

⁵ Australian Government Treasury [Sustainable Finance Strategy Consultation](#) Paper November 2023

⁶ UN PRI, CFA Institute and Global Sustainable Investment Alliance [Definitions for Responsible Investment Approaches](#) November 2023

⁷ [FRC UK Stewardship Code 2020](#).

⁸ [Aotearoa New Zealand Stewardship code](#).

⁹ See [APRA Prudential Practice Guide SPG 530 Investment Governance July 2023](#) paragraphs 46-51.

¹⁰ [APRA Prudential Practice Guide SPG530 Investment Governance July 2023](#).

how their stewardship activity contributes to investment outcomes over the long term. Since then, investment practice has progressed and focus on ESG issues has increased.

With increased focus on ESG integration in investments¹¹ and issues such as 'greenwashing',¹² Codes such as the Australian Asset Owner Stewardship Code can improve transparency and the consistency of information available to consumers.

Since its creation, the Code has been important in promoting good stewardship practices, greater transparency and increased accountability. Given the changes and challenges across global and Australian markets since 2018, the Code has now been updated. Code signatories, in consultation with ACSI, have agreed these updates and will continue to disclose their approach to stewardship and its role in the preservation of value over the long term.

¹¹ ESG Integration has been defined by the PRI as the systematic and explicit inclusion of environmental, social and governance factors into the investment decision-making process. On the evolution of ESG, see for example [OECD ESG Investing: Practices, Progress and Challenges](#) page 12.

¹² [ASIC guide to avoid greenwashing](#).

The Code

Stewardship

The concept of investor stewardship covers a range of activities, including voting, corporate engagement, collaboration and public policy advocacy. These activities aim to protect and enhance investment value as part of an investor's fiduciary obligations. Stewardship activities may be undertaken directly, collaboratively or through external managers.

Voting

Voting involves investors exercising their right to vote on matters presented at an investee company's meetings. Investors can use voting at company meetings to provide views on a company's strategy, leadership, remuneration, mergers and acquisitions and its ESG practices and disclosure.

Engagement

Engagement involves discussion between investors and the board or senior management of an investee company on long-term issues such as a company's performance, strategy, leadership, and the quality of its reporting. Engagement can take several forms, including meetings and written communication, and will have a clear objective. For example, investors may be seeking a better understanding of a company's strategy, seeking to influence company behaviour, or to support their voting activity.

Public Policy

Investors may encourage policy makers to align regulatory policy with the interests of long-term investors. For example, investors may advocate for public policy settings that enhance investee companies' approaches to managing their long-term risk. This represents pursuit of change at the systemic level as a means of enhancing financial outcomes.¹³

Collaboration

Stewardship activities may be undertaken collaboratively. Collaboration can increase influence while supporting activity to be conducted in the most efficient manner. Examples of collaborative initiatives include ACSI, Climate Action 100+, the Investor Forum and the Principles for Responsible Investment (PRI). Research respondents reported collaboration as a powerful lever for sharing resources and aligning engagement tasks.¹⁴ Collaboration must be conducted within the relevant regulatory requirements, including competition law, the substantial holding principles and takeover provisions of the Corporations Act 2001 (Cth)¹⁵ and accompanying guidance (ASIC Regulatory Guide RG 128 Collective action by investors).¹⁶ Collaboration activities should never include discussion on investment decisions, should not interfere with the market perception of the control of an entity and should ensure that all investors are able to consider and benefit from proposals.

¹³ See, Freshfields (2021), [A Legal Framework for Impact](#), at 13 articulating instrumental investing for sustainability impact, which includes pursuing impact to protect or enhance the performance of a portfolio, including "to support the sustainability of economic, environmental and social systems on which financial value depends."

¹⁴ [PRI Getting started with collaborative engagement 2013](#).

¹⁵ [Corporations Act 2001 \(legislation.gov.au\)](#).

¹⁶ [ASIC, Regulatory Guide RG 128 Collective action by investors](#).

Application

The Code provides stewardship implementation and transparency principles and guidance to aid asset owners in fulfilling their fiduciary obligations to their beneficiaries. Broadly speaking, asset owners include superannuation funds, endowments, and sovereign wealth funds.

The Code is directed at Australian asset owners with diversified investments including equity holdings in Australian and international companies. It is likely that they will also have investments and ownership rights in other asset classes. As such, asset owners may wish to extend the application of the Code across their portfolio. While the Code has been developed for asset owners, we encourage other institutional investors to apply it to their own practices.

Investment practices and priorities may be informed by a wide range of sources, including due diligence, asset manager/investment broker reports, ESG data providers, controversy reports and stakeholder views. Where information is sourced to support investment, engagement and other activities, asset owners and their agents have a duty to form their own view about whether it is in the interests of their beneficiaries.

Adopting the Code does not imply that asset owners wish to manage the operational affairs of companies they invest in, nor does it prescribe the stewardship practices that signatories should adopt. Rather, it outlines a set of better practice principles and disclosures. Each signatory will adopt the stewardship activities and disclosures most suited to its investment objectives, resources and the best financial interests of its beneficiaries. There is no single way to conduct effective stewardship. An investor's values, purpose, objectives, investment strategy and access to resources collectively influence their stewardship priorities, capacity and objectives.¹⁷ Decisions to invest in, not to invest in, or divest from a company rest solely with each asset owner.

Stewardship activity can cover some or all asset classes, tailored to suit the context and circumstances, including investment objective, asset class, and the nature of the risk.

This tailoring means that stewardship activity will differ depending on matters such as the risks identified, the circumstances of the company, the company's response and the investor's views. For example, engagement does not always result in linear progress and should be an ongoing, context-driven process. While there are clear objectives for engagement that are time sensitive, the company's response is also important context. Where there is minimal progress over a reasonable time period on an issue that presents a material risk, investors may consider using alternative stewardship activities. In this sense stewardship activities do not follow a pre-determined pathway, rather they respond and adapt to the context, with beneficiaries' best financial interests paramount.

The Code focuses on the investments made by asset owners and does not cover the internal governance of investment institutions. For information regarding internal governance, there are a range of standards and regulation including APRA's Prudential Standard SPS 510 Governance, which outlines the minimum practices for the good governance of RSE licensees, including superannuation funds.¹⁸

The Code does not provide legal or investment advice. The Code goes beyond existing regulation to set out some better practices. We recognise that regulation can change and that expectations of good practice are likely to increase over time. In the spirit of continuous improvement, Code signatories will continue to review and update the Code. In any event, regulatory requirements should always take precedence over the Code.

¹⁷ [Aotearoa New Zealand Stewardship Code](#).

¹⁸ APRA Prudential Standard SPS 510 Governance 2023.

Materiality

The concept of materiality is core to effective stewardship.¹⁹ Effective stewardship seeks to target the most material issues across an investor's portfolio. This will take into account the asset owner's values, purpose, objectives, investment strategy, and key issues of priority. To determine priorities, consideration will also be given to the size and nature of investment, and how the investment is held to determine the level of risk.

Not all ESG risks and opportunities are relevant across all investments.²⁰

If not, why not?

The Code is voluntary, however, signatories to the Code agree to publish a Stewardship Statement on their website that:

- Describes how the signatory applies each of the principles in the Code.
- If one or more of the principles have not been applied, describes why the signatory has not adopted those elements.
- Is regularly reviewed and updated as appropriate.

ACSI will maintain an online list of signatories and links to their Stewardship Statements. Signatories are encouraged to notify ACSI when their statement is published or revised.

The Code adopts a principles-based approach which allows asset owners to pursue a stewardship approach in a manner consistent with the spirit of the principles rather than reporting specifically against the guidance. Each principle has guidance provided by way of example.

Code implementation will differ depending on the asset owner's circumstances, including their size, resourcing, membership, and investment policies.

Code development, review and governance

ACSI leads the administration and maintenance of the Code, and its contents are reviewed periodically, as stewardship practices develop over time. We welcome any comments about the Code and may incorporate feedback into subsequent versions.

We would like to acknowledge the signatories to the Code:

Active Super	Catholic Super	Hostplus	Telstra Super
Australian Super	Cbus Super	NGS Super	TWU Super
Aware Super	Equip Super	Spirit Super	Uni Super
Care Super	HESTA	State Super	Vision Super

¹⁹ See, for example; [FRC UK Stewardship Code 2020](#), principle 7.

²⁰ See Proactive stewardship in [RIAA Stewardship Report](#).

The Principles

Asset owners should:

ONE

Publicly disclose how they approach their stewardship responsibilities.

TWO

Publicly disclose their policy for voting at listed company meetings and voting activity.

THREE

Engage with companies (either directly, indirectly or both).

FOUR

Monitor asset managers' stewardship activities.

FIVE

Encourage better alignment of the operation of the financial system and regulatory policy with the interests of long-term investors.

SIX

Report to beneficiaries about their stewardship activities.

SEVEN

Outline how they utilise collaboration in their stewardship activities.

Australian Asset Owner Stewardship Code

Each of the principles has explanatory guidance and suggests an example of relevant activities and disclosures that signatories may provide. The Code recognises that the way the Code is implemented will differ depending on the asset owner's circumstances, including its size, resourcing, membership and investment policies.

Principle 1:

Asset owners should publicly disclose how they approach their stewardship responsibilities.

Guidance

Stewardship activities form a key part of asset owners' fiduciary duty and duty to act within the best financial interests of their beneficiaries. Stewardship activity seeks to enhance long-term value preservation through risk mitigation and can assist signatories in achieving their investment objectives.²¹

For asset owners, stewardship activities include voting, engagement (meeting 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.

Stewardship activities may be undertaken directly, collaboratively, outsourced to asset managers or third-party service providers, or a combination of these.

The range of stewardship activities available to investors means that their use is tailored to the relevant circumstances and there is no single way to conduct effective stewardship. It is up to the asset owner to choose the appropriate approach taking into account the context.

²¹ See for example, Hesta Stewardship Code Statement (February 2020).

Disclosure

Disclosures of stewardship approaches can be made as a part of an asset owner's policy (for example an ESG or Sustainable Investment Policy), or as a standalone statement or section of the asset owner's website.

Signatories should consider disclosing information regarding their internal governance of stewardship activities. Examples could include:

- An organisational structure chart.
- Roles and responsibilities of those involved in stewardship activity governance.
- The process for decision-making relating to stewardship activities.
- How the process is overseen.
- How the effectiveness of stewardship activities is monitored and evaluated.

Better disclosures will be readily accessible to beneficiaries and other stakeholders.

Examples of disclosures about stewardship activities include:

- Providing an overview of how the asset owner discharges its stewardship responsibilities considering its size, investment style/beliefs, resourcing, membership or other criteria.²²
- Links to related policies, such as responsible or sustainable investment policies, ESG policy or voting policies.²³
- A reference to how an asset owner's stewardship activities align with their investment objectives and fiduciary duty to act in the best financial interest of beneficiaries.²⁴

²² See for example, Hesta Stewardship Code Statement (February 2020).

²³ See for example, Equip Super Australian Asset Owners Stewardship Code Statement (September 2020).

²⁴ See for example, [UniSuper responsible investment and proxy voting policy](#) page 1.

Principle 2:

Asset owners should publicly disclose their policy for voting at listed company meetings and voting activity.

Guidance

Exercising voting rights is a means by which asset owners can express their views regarding a range of issues, including a company's strategy, leadership, remuneration, mergers and acquisitions along with its ESG practices and relevant disclosure. To exercise their voting rights, asset owners may:

- Undertake direct voting activities, apply their own voting policy or a third party's voting policy.
- Delegate to their asset managers to undertake all, or some voting activities, apply their voting policy or a third-party service provider's policy.
- Outsource voting activities to a third-party service provider.
- Obtain research to help assess their voting decisions.
- Utilise a combination of approaches, depending on how the investments are held, resourcing capabilities and the materiality of holdings.

Provision 7.9.07ZB of the Corporations Regulations 2001 (Cth) stipulates that RSE licensees must publish on their website their proxy voting policies in addition to a summary of when and how the entity has exercised its voting rights in relation to shares in listed companies.²⁵

ASIC Information Sheet 278 'Inventory of superannuation trustee transparency and disclosure obligations' also provides consolidated information on superannuation trustee disclosure requirements across various regulations and standards.²⁶

Disclosure

Signatories should disclose their voting decisions for resolutions at listed company meetings. Signatories could also consider disclosing:

- Circumstances where a signatory may choose not to vote. An example could include instances where there is a conflict of interest. Signatories should also consider disclosing their processes for identifying and managing any conflicts that may impact their stewardship and voting practices.²⁷
- Examples of voting activities, where signatories consider they would be helpful to an understanding of the voting process or context surrounding the decision.
- Instances where voting rights are not exercised such as restrictions in share blocking markets.
- If voting is managed by a third party.
- Whether and when the asset owner advises companies of a decision to cast a vote against or abstain from a resolution. Practices are likely to differ depending on the asset owner's resources, the particular resolution and the significance of their holdings.

²⁵ Corporations Regulations 2001 Subdivision 2E.3 7.9.07ZB [Obligation to provide information to the holder of a superannuation product via website](#)

²⁶ INFO 278 [Inventory of superannuation trustee transparency and disclosure obligations](#) 31 October 2023.

²⁷ Examples of a conflict of interest include but are not limited to where an asset owner participates in a placement and the voting matter relates to the placement, where a related director is seeking election or re-election, or where a person responsible for voting decisions has a close personal relationship with staff of a company that is the subject to a vote. Conflicts of interest may also arise in relation to engagement activities.

Principle 3:

Asset owners should engage with companies (either directly, indirectly or both).

Guidance

Company engagement involves two-way constructive communication typically between asset owners and companies (board members and/or senior management) on matters such as the company's performance, strategy, ESG issues, leadership, as well as the quality and level of corporate reporting.

Engagement can take a number of forms and will depend upon resourcing, prioritisation and availability of skills. It can be undertaken directly by asset owners, in collaboration with other investors, outsourced to asset managers or to third party service providers, or a combination of these. Both direct engagement and the use of third-party service providers are effective and the asset owner may choose to use one or the other (or both) depending on circumstances.

Engagement can be in writing, in person or online. It is typically conducted on a confidential basis and can occur over a prolonged period.

Engagement should have clear objectives. The form of engagement and measurability of outcomes will differ depending upon the objectives. For example, engagement may be undertaken to:

- Influence companies to align practices with the long-term interest of beneficiaries.
- Encourage improved practices and transparency on a variety of issues including those that relate to ESG considerations.²⁸
- Support voting activity and protect shareholder rights.

When engaging with companies, asset owners should adhere to the requirements in the Corporations Act 2001 (Cth).²⁹ Engagement should not include market sensitive information.³⁰ Asset owners should also be familiar with ASIC Regulatory Guide 128 'Collective action by investors'³¹ which provides guidance, including that engagement should not be viewed as a means for investors to gain price sensitive information, and, in addition, how the takeover and substantial holding provisions are likely to apply in the context of collective action.

²⁸ See for example, Aware Super Stewardship Report 2021 p 7 and ACSI's [engagement strategy](#).

²⁹ [Corporations Act 2001 \(legislation.gov.au\)](#).

³⁰ Among other things, the insider trading provisions prohibit a person with market sensitive information from trading in securities or communicating the information to someone likely to trade in securities as per Section 1043A of the [Corporations Act 2001](#).

³¹ [ASIC Regulatory Guide 128 'Collective action by investors'](#).

Depending upon the nature and significance of an issue and responsiveness of a company to engagement, asset owners may sometimes choose to supplement engagement with additional stewardship activity. This can include:

- Expressing concerns:
 - To alternative company representatives (i.e. management, other non-executive directors).
 - Collectively with asset managers or other asset owners.
- Holding discussions with other equity, bondholders, or stakeholders, subject to relevant laws.
- Voting against relevant proposals at general meetings.
- Speaking to regulators regarding concerns.
- Making a public statement or speaking at general meetings.
- Submitting a shareholder resolution (noting the requirements of, and limitations within the Australian legislative environment).
- Nominating a candidate for election to the board.
- Requisitioning a shareholders' meeting.
- Legal remedies, including class actions.
- Exiting a stock when holding it is no longer in beneficiaries' best financial interests.

Such activity will be context specific, and determined by the asset owner, with beneficiaries' best financial interests paramount.

Disclosure

Signatories to the code should consider disclosing their engagement practices and policies. Examples of disclosures about engagement practices include:

- Where the asset owner undertakes direct engagement:
 - How the asset owner monitors and identifies companies for engagement.³²
 - Whether the fund has a governance or ESG manager or similar.
 - Broad engagement themes and outcomes.³³
- Whether the asset owner uses third-party engagement service providers.³⁴ If so signatories could consider disclosing their relationship to the service provider (i.e. member, owner or client) and the provider's:
 - Business information (i.e. name and contact details).
 - Approach to identifying companies for engagement.
 - Broad engagement themes and outcomes.

Where an asset owner outsources any engagement activities, they should monitor the quality and outcomes of the third-party's engagement strategies.

³² This might include a review of a company's performance, strategy, ESG issues, leadership, quality and level of reporting. It may be based on size of the asset owner's exposure, risk-based themes, contentious issues or interaction with external managers.

³³ ACSI [Engagement Report 2022](#), page 3, see also; Australian Super, [ESG and Stewardship policy](#).

³⁴ See for example, Cbus, [Approach to investing responsibly](#).

Principle 4:

Asset owners should monitor asset managers' stewardship activities.

Guidance

Asset owners have an important and direct influence on asset manager behaviour through their investment mandates and agreements. Asset owners cannot delegate their stewardship responsibility, even when they engage asset managers to act on their behalf. If an asset owner outsources any of their stewardship activities, they remain responsible for monitoring and assessing the quality of those activities.³⁵

Asset owners may consider an asset manager's performance in relation to stewardship activities as one component of their asset managers' broader investment management performance.

Disclosure

Examples of how asset owners can fulfil and disclose their stewardship activities in cases where some or all of this activity is outsourced, include:

- Incorporating stewardship capabilities, policies and strategies into their asset manager selection, appointment and monitoring processes.
- Clearly communicating their policies and expectations about stewardship to asset managers, to support the alignment of stewardship activities with the asset owner's own policies.
- Monitoring the consistency of the asset manager's engagement activities, voting decisions or recommendations against the asset owner's own principles.
- Partnering with asset managers in relation to engagement and other stewardship activities.
- Articulating expectations on stewardship reporting. Reporting is likely to comprise qualitative as well as quantitative information and should be agreed upon between the two parties.

³⁵ See for example, UniSuper Responsible Investing and proxy voting policy, [External manager selection and monitoring](#), page 3.

Principle 5:

Asset owners should encourage better alignment of the operation of the financial system and regulatory policy with the interests of long-term investors.

Guidance

Asset owners' holdings are typically diversified, and their investment returns are impacted by the economy as a whole.

Where asset owners have concerns regarding systemic, industry-wide issues, policies, practices or disclosures, they should encourage policy makers to better align the operation of the financial system and regulatory policy with the interests of long-term investors.³⁶ Asset owners should consider advocating for government policy change where they consider that the regulatory environment does not appropriately support the interests of their beneficiaries' investments over the long-term. For example, where regulatory standards of corporate activity are insufficient, this can create an investment risk within sectors or across the market, which can give rise to systemic risk.

Engagement with policy makers is undertaken to promote long-term value creation and to protect investment outcomes for beneficiaries.³⁷ Examples of activities could include:

- Contributing to government, parliamentary committees and other relevant public-regulatory or policy forums.
- Proactively raising issues with relevant policy makers.
- Conducting research to identify issues and appropriate policy settings.
- Collaborating with other market participants on policy issues (subject to relevant regulatory requirements).
- Advocating for improvements to policy settings.

Policy advocacy can be conducted by an asset owner individually, collaboratively, as part of membership of advocacy organisation, depending on circumstances, resources and with beneficiaries best financial interests paramount.

Disclosure

Signatories are encouraged to disclose their approach to advocacy and policy engagement. The Code recognises that sole attribution of outcomes to one market participant is unlikely, however, signatories may wish to disclose their role in the process. This disclosure could include:

- Examples of policy advocacy collaborations or activity including reasons for the activity, aims and outcomes.
- Examples of submissions made to regulatory bodies or consultations.
- Examples of participation in parliamentary or regulatory committees.

³⁶ UNPRI [A legal framework for impact: Sustainability impact in investor decision-making](#).

³⁷ See for example; Australian Super [Policy and advocacy](#) and Australian Retirement Trust [Sustainable Investment Policy](#).

Principle 6:

Asset owners should report to beneficiaries about their stewardship activities.

Guidance

Regularly reporting to beneficiaries about stewardship activities and public disclosure of stewardship policies and activities demonstrates an asset owner's commitment to stewardship and supports accountability for the effective delivery of stewardship activities.

Better practice stewardship reporting will discuss examples that address both stewardship activity and outcomes.

Reporting engagement across asset classes can present challenges to asset owners. The Code acknowledges difficulties in reporting engagement in asset classes such as property or private equity. Signatories to the Code should consider specifying how they engage by asset class. Some examples include:

- Voting disclosure in respect of listed equities
- A general description of stewardship activities that apply to other asset classes such as property, infrastructure, or private equity.³⁸

The Code does not expect signatories to disclose information regarding stewardship activities, objectives and strategies could be deemed commercially sensitive.

Disclosure

Good disclosures will be readily accessible on an asset owner's website.

Disclosures can include links to engagement, voting, responsible investment or sustainability reports, annual reports, or other voluntary disclosures.

Signatories to the code could disclose:

- A clear description of their engagement and stewardship objectives.
- Targets and goals for their engagement strategies.
- How progress is monitored and assessed.
- Any unsuccessful engagement strategies.
- How unsuccessful engagement strategies are handled including plans for next steps, where relevant.
- Progress and /or outcomes from stewardship activity, recognizing that sole attribution of outcomes to an individual asset owner is likely to be challenging.

Stewardship and engagement disclosures should be reviewed regularly and updated as necessary. While policies and frameworks may remain unchanged, signatories to the Code are encouraged to update relevant materials, such as voting decisions and relevant examples on an annual basis, recognising that these disclosures may be set out in separate documents to stewardship policies (such as a responsible investment report or voting disclosure report).

³⁸ See for example; Australian Super ESG and Stewardship policy, [ESG and Stewardship Program](#), page 2.

Principle 7:

Asset owners should outline how they utilise collaboration in their stewardship activities.

Guidance

Collaboration can increase asset owners' influence and the efficacy of their stewardship strategies. Collaboration, such as participation in industry associations, also benefits asset owners by reducing workload and costs of stewardship activities.

Collaboration can be direct or on an asset owner's behalf through third party associations.

In its Regulatory Guide, ASIC notes that collaboration can be an effective form of engagement.³⁹ ASIC also highlights the difference between using joint influence to monitor and correct mismanagement of a corporation and taking control of an entity's decision making. Collaboration should be undertaken in accordance with the ASIC Regulatory Guide RG 128 Collective action by investors⁴⁰ and must adhere to substantial holding principles and takeover provisions of the Corporations Act 2001 (Cth).⁴¹ Collaboration activities should not interfere with the market perception of the control of an entity and should ensure that all investors are able to consider and benefit from proposals.

Disclosure

Signatories to the Code should consider disclosing their approach to collaboration, including the rationale for collaborative activity. This could include:

- Memberships of relevant industry groups.
- Where possible, examples of instances of successful collaborations.
- Membership of collaborative engagement initiatives.⁴² Examples could include:
 - The topic or issue of engagement.
 - The method of engagement utilised.
 - How the signatory was involved in the collaboration.
 - Any outcome associated with the collaboration.
 - Case studies, or third-party organization materials.
- Examples of collaboration on policy issues could include exchange of views, joint submissions, joint public statements; membership of industry organisations that participate in policy discussions.

³⁹ ASIC Regulatory Guide RG 128 'Collective action by investors'.

⁴⁰ ASIC Regulatory Guide RG 128 'Collective action by investors'.

⁴¹ [Corporations Act 2001 \(legislation.gov.au\)](http://legislation.gov.au).

⁴² Where membership to these initiatives is deemed commercially sensitive, signatories may choose not to disclose these memberships.



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