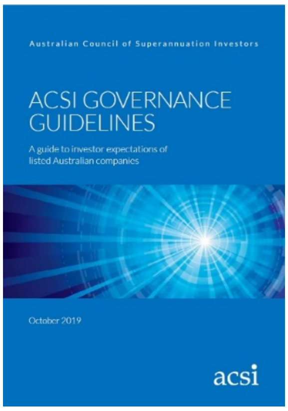
UPDATES TO THE 2019 ACSI GOVERNANCE GUIDELINES



The Australian Council of Superannuation Investors (ACSI) released updated Governance Guidelines in October as part of its biennial refresh. ACSI's guidelines are used to assess the governance practices of ASX300 companies and provides a steer on how its members, comprising 39 superannuation fund and asset managers, evaluate governance issues. As we hit the crux of the proxy season, these guidelines also inform voting decisions across key issues including remuneration reports, director elections and shareholder resolutions.

ACSI's 2019 Governance Guidelines remain substantively consistent with its 2017 version. However, a few changes have been made to reflect investor expectations post the Hayne Royal Commission.

We have summarised key changes to the guidelines below:

A new section on Board accountability reinforces key characteristics required to instil confidence and trust. The Board should be prepared to seek the right information, and have the character, confidence and strength to challenge management and take the appropriate remedial action when things go wrong. In line with this, ACSI advocates annual director elections. This was first advocated by ACSI prior to the federal election and has now been formalised in their governance guidelines.

There is a focus on values and culture throughout the guidelines. It is expected that the Board articulates and discloses the company's values to underpin the desired culture and demonstrate alignment between expected and actual behaviour.

ACSI encourages entities to provide meaningful information on the mix of skills and experience the Board has, and is looking to achieve, along with how the Board's composition aligns to the company's strategy and key risks, including material ESG risks.

In relation to diversity, companies should set a time frame within which they will achieve gender balance (40:40:20) on their Boards. A gender diversity target for women directors of 30% was previously endorsed by ACSI, and as such this signals a shift towards increased action.

ACSI does not have a preferred remuneration structure, rather the focus is on how the remuneration structures support long term success. ACSI reinforces the importance of disclosure in explaining the purpose of the remuneration structure, the rationale and expectations for payment at the relevant levels of performance (such as threshold, target, and exceptional performance or their equivalent measures), the proportion of the variable component that is genuinely at risk and the minimum and maximum payment amounts.

Where companies are members of industry associations that advocate on climate change, ACSI expects companies to regularly compare their views with those of the industry associations and disclose the results. This should include disclosure of any material policy differences (on an issue-by-issue basis) and how the company intends to respond to these differences.

ACSI provides that good safety reporting includes reporting any fatalities to the market.

For the full updated ACSI guidelines, please visit https://www.acsi.org.au/publications-1/acsi-governance-guidelines.html.