



Australian Council of Super Investors Inc.

**CORPORATE GOVERNANCE POLICY
OPTIONS FOR TRUSTEES**

June 2002

©2002, Australian Council of Superannuation Investors Inc.
Level 29, 2 Lonsdale Street, Melbourne, Vic, 3000
Tel: (03) 9657 4386 Fax: (03) 9657 4378
E-mail: acsi@ifsfairley.com.au

OVERVIEW

The task of developing a corporate governance policy is not an easy one. It requires a considerable amount of deliberation by Trustees. The aim of this document is to provide a process and issues for consideration by Trustees to formulate their own corporate governance policy.

In summary, the following provides a list of alternative options available to Trustees based on varying degrees of delegation and participation in corporate governance activism, on which a Trustees corporate governance policy will be based:

- A. The Trustee employs an investment manager who has responsibility for voting/engagement. The Trustee also retains a corporate governance advisor for specialist advice.
- B. The Trustee employs an investment manager who has responsibility for voting/engagement. Contentious issues are referred to the Trustee for determination of their position. Trustee also retains the corporate governance advisor.
- C. The Trustee gives voting/engagement instructions to an external investment manager and retains a corporate governance advisor.
- D. The Trustee delegates voting power to the external investment manager however it reserves the right to vote on any issue. Controversial issues must be referred to the Trustee who will also retain a corporate governance advisor.
- E. The Trustee delegates voting power to the external investment manager who has previously submitted to the Trustee the investment manager's corporate governance policy. Contentious issues will be referred to the Trustee and the Trustee will retain a corporate governance advisor.
- F. The Trustee appoints an external investment manager who must follow the voting recommendations of a proxy-voting advisor.
- G. The Trustee's assets are managed by an external investment with voting rights 'carved out' and given to an external corporate governance specialist retained by the Trustee.

This document includes appendixes that have been developed following this process based on different fund circumstances and varying degrees of delegation by Trustees and therefore provide clear and comprehensive examples of what a corporate governance policy could look like in practice. It is envisaged that funds should be able to develop a policy simply by answering the questions in the checklist that is provided and then adopting the appropriate paragraphs from the documents in the Appendix.