

**Contents**

---

DIARY DATES	1
MESSAGE FROM THE CEO	1
REGISTRATIONS FOR ACSI CONFERENCE NOW OPEN	1
ACSI SHORT SELLING SUBMISSION	2
SENATOR NICK SHERRY COMMENTS ON 'CORPORATE GOVERNANCE IN TODAY'S VOLATILE MARKET'	2
PARLIAMENTARY JOINT COMMITTEE: INQUIRY INTO SHAREHOLDER ENGAGEMENT AND PARTICIPATION	3
ESG INVESTMENT RESEARCH	4
CLIMATE CHANGE	4
SEMINARS AND CONFERENCES	5
ACSI MEDIA AWARD	5

---

**DIARY DATES**

**ACSI Conference**

Investing for the Future: Leading By Example  
Friday 6 June 2008  
Sofitel Hotel, Melbourne

**Breakfast with Dr Paul Tebo**

Former Global Vice President, Health, Safety and Environment at DuPont  
Thursday 17 July 2008  
Westin Hotel, Melbourne

**MESSAGE FROM THE CEO**

I am delighted to have started as the CEO of ACSI. I have spent my first weeks on a familiarisation trek across all of ACSI's activities. I look forward to working with all of our members and will talk to all of you over the course of 2008.

If you have any issues which you feel ACSI should be involved in please do not hesitate in contacting me.

Regards,



Ann Byrne

**REGISTRATIONS FOR ACSI CONFERENCE NOW OPEN**

ACSI is convening its seventh annual conference **'Investing for the Future: Leading by Example'** on **Friday 6 June 2008** at the Sofitel Melbourne.

Times may be turbulent, but that is no reason to forget about environmental, social and corporate governance issues. Indeed, since some of the current volatility can be traced back to "ESG" weaknesses, now is the time that we should re-emphasise the importance of good governance, and the proper management of environmental and social issues.

The long-term challenges remain on the horizon, irrespective of whether we are encountering a bull or a bear market, and as an investment community, we need to remember that we are the custodians of future generations' prosperity, while still addressing today's imperatives.

The seventh annual ACSI conference seeks to draw out the challenges of leadership in dealing with ESG issues and to hear from

some leaders who may not have made the daily news.

During the day you will hear from a high quality line up of Australian and international speakers.

This is an opportunity not to be missed. Attendance is free for trustees, fund executives and staff belonging to ACSI member funds.

We hope that you will be able to attend what promises to be a robust, educational and enjoyable conference.

A full **Program and Conference Registration Form** is now available at:

[http://acsi.org.au/dsp\\_conference.cfm](http://acsi.org.au/dsp_conference.cfm)

### ACSI SHORT SELLING SUBMISSION

Amid a flood of media coverage on the issues of stock lending and short selling, the ASX has launched a public consultation paper on the issues.

ACSI made a written submission to the ASX Consultation on May 1. This submission follows the ACSI and IFSA joint statement on market integrity and efficiency (released in March) which dealt with the issues of securities lending, director share trading, margin loans and short selling. ACSI's ASX Consultation submission included the following key points:

- Short selling is a legitimate and worthwhile trading technique which contributes to market liquidity, efficiency and price discovery.
- Superannuation funds and ultimately superannuation fund members benefit from short selling and from stock lending.
- ACSI supports transparency with respect to both stock lending and short selling.
- Whilst we note that the ASX paper does not propose to introduce new reporting obligations on custodians with respect to stock lending, ACSI would support any

Federal Government initiative to disclose the daily publication of stock lending volumes in the interests of promoting general transparency for the market.

- ACSI supports all reasonable measures to eliminate market manipulation, but believes that the process by which manipulators achieve illicit profits should be distinguished from the activity which has been manipulated. For example, insider share trading is wrong, but this does not mean share trading should be abolished.
- ACSI supports measures that keep the market informed of the extent of activities through the daily publication of short sale volumes.
- ACSI believes that if both "naked" and "covered" short sales become reportable, the best regime to give markets transparency would be for:
  - Brokers to report gross naked and covered short sales; and
  - Brokers to report net short positions at the end of each day.
- The role of the "tick test", so far as it acted to prevent manipulation, may be considered redundant.
- ACSI supports the retention of a relevant market capitalisation and liquidity test as contained in the relevant ASX Market Rules.
- ACSI is opposed to stock borrowing for voting purposes.

We will keep members informed of any progress on the issues raised. We await the ASX's response to the consultation and will pay particular attention to action on the issue of disclosure.

### SENATOR NICK SHERRY COMMENTS ON 'CORPORATE GOVERNANCE IN TODAY'S VOLATILE MARKET'

In a lunchtime address delivered at the 2008 RiskMetrics Group Corporate Governance Conference, Minister for Superannuation and Corporate Law Senator Nick Sherry commented on issues of corporate

governance and what the Federal Government sees as 'avenues of reform'. Senator Sherry stated that 'I am committed to pursuing reform of the regulatory and corporate governance framework. Reform that is comprehensive, effective, and - above all - sustainable.<sup>1</sup>' The issues the Senator touched on in his speech included:

- Market reform and transparency.
- Short selling and securities lending.
- Margin loans.
- A review of corporate offences, sanctions and personal liability for directors.
- Emerging governance issues in financial reporting.
- Governance issues relating to SMSF's.
- Developing proposals to strengthen the executive remuneration framework.

Senator Sherry's speech flagged some of the corporate governance issues currently being considered by the Federal Government and industry regulators. Senator Sherry stated that the government would 'pursue legislative change to the Corporations Act to address any ambiguity around covered short selling and the requirement for disclosure<sup>2</sup>'. Senator Sherry also advised that Treasury is to survey about 600 leading company directors in relation to director liability, and he commented that 'in assessing the case for corporate law reform, we need to focus on what's happening in the boardroom, as well as what's happening in the court room.<sup>3</sup>' While actively participating in consultation on these issues of corporate governance policy issues, ACSI and other stakeholders will be keen to review the content of any proposed reforms.

A copy of Senator Sherry's speech can be accessed at: <http://minscl.treasurer.gov.au/>

<sup>1</sup>Senator Nick Sherry, Speech to RiskMetrics Group Corporate Governance Conference, 28 April 2008, available at:

<<http://minscl.treasurer.gov.au/DisplayDocs.aspx?doc=speeches/2008/010.htm&pageID=005&min=njs&Year=&DocType=>> visited 6/5/2008.

<sup>2</sup> Ibid

<sup>3</sup> Ibid

### PARLIAMENTARY JOINT COMMITTEE: INQUIRY INTO SHAREHOLDER ENGAGEMENT AND PARTICIPATION

On 15 April, Michael O'Sullivan and Phil Spathis appeared in Canberra before the Parliamentary Joint Committee on Corporations and Financial Services' Inquiry into Shareholder Engagement and Participation. Members would have received a copy of ACSI's written submission to the inquiry which was sent in September 2007. Some of the key points presented to the Committee were:

- ACSI supports measures to improve the integrity of the voting system by encouraging electronic proxy voting in order to enhance the end-to-end proxy voting system.
- ACSI believes the introduction of the nonbinding shareholder vote on remuneration has been one of the major catalysts for engagement between institutional shareholders and company boards.
- ACSI submits that companies be required to include in their annual reports information about their remuneration consultants, including an indication of which remuneration consultants have been appointed, by whom and the nature of the services that are provided.
- ACSI supports the exclusion of interested directors and executives in voting on remuneration reports.
- Together with other investor groups, ACSI has submitted to the ASX that the current version of Listing Rule 10.14 should be revised to require shareholder approval of any acquisition of securities by a director outside of a genuine salary sacrifice arrangement.
- The potential impediments to collective action by institutional shareholders in the Corporations Act should be reviewed.

In addition to these points, a number of issues raised by members of the Committee were taken on notice and are currently under review. A number of other organisations

were present at the hearing to raise issues of concern including the ASA, ASFA, the AICD, IFSA, RiskMetrics and Regnan. The general feeling amongst investor groups was that corporate governance law and regulation was currently well balanced but is still in need of some fine tuning. In the following months, ACSI will track any proposed legislative or regulatory developments arising out of the consultation with great interest.

A Proof Committee Hansard is available online at:

[http://www.aph.gov.au/senate/committee/corporations\\_ctte/sharehold/hearings/index.htm](http://www.aph.gov.au/senate/committee/corporations_ctte/sharehold/hearings/index.htm)

Copies of written submissions to the Committee are available online at:

[http://www.aph.gov.au/senate/committee/corporations\\_ctte/sharehold/submissions/sublist.htm](http://www.aph.gov.au/senate/committee/corporations_ctte/sharehold/submissions/sublist.htm)

### ESG INVESTMENT RESEARCH

As part of their ongoing ESG research Goldman Sachs JBWere Analyst Andrew Gray has reported that 'on balance, the corporate governance signal has continued to provide strong returns for investors; even during the recent period of market volatility' and also notes that 'Corporate governance analysis can improve investment returns even for those not pursuing a broader ESG agenda'.

The update is based on research which began in 2001 and is being conducted on a sample of 156 companies. The research is attempting to find 'a correlation between the company's corporate governance ratings and share price performance'. The research uses corporate governance ratings based on audit quality, overall board skill mix and structure, remuneration (clarity of policy, reasonableness of policy, size) and accounting practices.

If you would like further information on the research, please contact Andrew Gray, Executive Director & Head of ESG Research,

Goldman Sachs JBWere via email: [andrew.gray@gsjbw.com](mailto:andrew.gray@gsjbw.com)

### INVESTOR STATEMENT ON CLIMATE CHANGE

In the UK, the Institutional Investors Group on Climate Change (IIGCC) has recently released an updated 'Investor Statement on Climate Change'. The Investor Statement on Climate Change recognises that:

- Current investment research, analysis and decision-making and shareholder ownership activities do not fully reflect the risks and opportunities presented by global climate change.
- It is not in the long-term interests of the ultimate beneficiaries of the assets we represent that climate change occurs.
- By working together, investors, their clients, their agents, regulatory authorities and companies can create an investment environment that contributes to a more orderly shift to a low carbon economy and so helps to ensure a more stable climate for current and future generations.

The statement goes on to list a series of tasks signatories can undertake, as asset owners and asset managers, to be proactive and manage investment risks related to climate change. The statement also includes a list of ways in which signatories can encourage companies and governments to act on the issue. Ultimately, the statement is about providing a 'roadmap for investor activity in the climate change debate' and allowing 'investors to strengthen their focus on climate change in their investment processes'. At present the statement is supported by 22 investment institutions representing almost EU €2 billion in assets under management.

A full copy of the statement and a list of signatories are available online at:

<http://www.iigcc.org/investorstatement.aspx>

### SEMINARS AND CONFERENCES

#### Paul Tebo Breakfast

A breakfast seminar for members is scheduled for 17 July 2008 at the Westin Hotel, Melbourne. Dr Paul Tebo, former Global Vice President, Health, Safety and Environment at DuPont will discuss the fundamental shift in thinking that took place at DuPont during the 1990s, when the company began to embrace sustainable development and to recast environmental problems and burdens as business opportunities. Invitations for this event will be sent to members in early June.

#### Ethical Investor ESG Forum

Ethical Investor magazine is holding a one-day forum in Sydney on the 3 June 2008 titled 'The ABC of ESG: Incorporating environment, social and governance (ESG) factors into mainstream investment practice'. Speakers at the forum include ACSI CEO Ann Byrne and ACSI members Rob Fowler (HESTA) and Helen Bloustein (VicSuper). The forum will cover a range of current ESG issues including climate change and responsible property investing.

A full conference brochure is available at:

<http://www.ethicalinvestor.com.au/ABCofESG/08ESGBrochureLoRes.pdf>

### ACSI MEDIA AWARD

Applications for the annual ACSI Media Award will open in June with details available on the ACSI website [www.acsi.org.au](http://www.acsi.org.au). The award recognises a journalist who has contributed the best work on corporate governance between 1 July 2007 and 7 August 2008. The piece must broaden the understanding of the public, institutional investors and the business community about corporate governance.

Entrants must nominate themselves, however, if you know of a journalist who has published some relevant media in any medium who may be a worthy entrant for this award you can notify ACSI: [info@acsi.org.au](mailto:info@acsi.org.au). ACSI will then contact the journalist to notify them about the nomination process and encourage them to enter.

Nominations close on 14 August 2008 and the winner of the ACSI Media Award will be announced at a luncheon presentation which will be held in Melbourne on 24 September 2008. Invitations to attend the ceremony will be distributed in August 2008.

### CONTACT INFORMATION

ACSI  
Ground Floor, 215 Spring Street  
MELBOURNE VIC 3000  
Website: [www.acsi.org.au](http://www.acsi.org.au)  
Tel: (03) 8677 3890  
Fax: (03) 8677 3889  
Email: [info@acsi.org.au](mailto:info@acsi.org.au)

This newsletter is correct to the best of our knowledge and belief at the time of going to press. It is, however, written as a general guide so it is recommended that specific professional advice is sought before any action is taken