

24 September 2010

Mr Stephen Haddrill
Chief Executive
Financial Reporting Council
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London
WC2B 4HN

Via email: S.Haddrill@frc.org.uk

Dear Mr Haddrill

UK STEWARDSHIP CODE

The Australian Council of Superannuation Investors Inc. (“ACSI”) is an independent member organisation whose objective is to lift the standards of governance across investment portfolios both locally and internationally, by assisting our members to manage Environmental, Social and Governance (“ESG”) investment risk. Our membership consists of 39 Australian superannuation funds who manage over \$A250 billion in assets for some five million Australians and two international members - Railpen Investments and Universities Superannuation Scheme.

I write to indicate our public support for the UK Stewardship Code and to welcome the Financial Reporting Council’s initiative to encourage investors to publish a statement on their website of the extent to which they have complied with the Code.

ACSI is of the view that engagement between institutional investors and companies improves the long-term returns to shareholders and assists the efficient exercise of governance responsibilities. Whilst the mandate of ACSI is primarily in our home market we are cognisant of the increasing level of international investments of our members and the need to ensure that all companies understand our governance expectations.

Our members mostly utilise the services of external investment managers (Managers) for the management of their international equity portfolios of which the largest proportion is managed within mandates which cover the MSCI World (ex-Australia) either passively or actively. Therefore our members are investors in the UK market and suffered from the lack of effective company governance and investor engagement highlighted by the Global Financial Crisis.

The GFC also had ramifications within our investment markets which increased the resolve of our superannuation fund members to ensure that they, and their Managers, engage with investee companies in order to protect and enhance the benefits of their members over the long term. Our members also recognise that engagement may vary depending on investment management style.

As responsible investors we will encourage our members to contact their Managers to make them aware of the Code and to encourage them to comply with the Code.

I would also like to inform you that we will consider the applicability of the Code to the Australian market. However you would be already aware of the “if not, why not” requirements of the ASX Corporate Governance Council and “Principle 6: Respect the Rights of Shareholders” which has contributed to an improvement in dialogue between investors and companies.

Additionally, many Australian superannuation funds and their Managers are signatories to the UN Principles for Responsible Investment which places aspirational obligations on disclosure, engagement and shareholder collaboration. ACSI is working to ensure that these Principles are part of mainstream investment thinking and an automatic inclusion into investment management models.

We note that the UK Financial Services Authority is currently consulting on whether to make it a regulatory requirement for UK authorised investment firms to report on a comply or explain basis how they apply the Code.

We also anticipate that other markets will want to consider whether to introduce codes of their own and we would regard this as a very positive development. However, we would hope that there will be mutual recognition between codes in different markets to support a network of codes that can cope with local practice rather than a one size fits all global code.

We hope these comments are helpful and we wish the FRC every success with its initiative to raise the profile of the Code and we for our part will do what we can directly and indirectly to support this.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ann Byrne'.

Ann Byrne
Chief Executive Officer