



ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS 5TH EDITION - CONSULTATION DRAFT

Rest Super Submission

6 May 2024

Background

Rest Super values the opportunity to provide a short submission to the ASX Corporate Governance Council's (the **Council**) Consultation Draft for the 5th Edition of the Corporate Governance Principles and Recommendations (the **Principles and Recommendations**).

Rest is one of Australia's largest profit-to-member industry superannuation funds with about two million members – or around one-in-seven working Australians – that manages assets of around \$80 billion¹. We represent approximately one million members under the age of 30, who are decades from retirement. Around 60% of our members are women. Many of our members work in part-time or casual jobs and tend to have lower balances by the time they reach retirement.

As a universal asset owner and long-term institutional investor, and consistent with our responsible investment and active ownership approach, we believe that good corporate governance adds value, minimises risk and results in long-term sustainable value creation, to protect and grow our members' retirement savings. We strongly support the Council and the role of the Principles and Recommendations in helping drive good corporate governance outcomes.

We also recognise that the Principles and Recommendations are an essential component to ensuring Australia remains an attractive market for the responsible deployment of capital, on behalf of our members.

Rest strongly believes that climate change poses a material financial risk to our members' retirement savings, and that actions to manage against these risks open up investment opportunities as the world transitions to a lower-carbon economy. We have an existing long-term objective to achieve a net zero carbon footprint for the fund by 2050. We have been a strong supporter of the Commonwealth Government's proposed climate-related financial disclosure framework and work on the Sustainable Finance Strategy. We consider it important the Principles and Recommendations continue to align, and work efficiently, with these emerging bodies of work.

Response to consultation

Rest is a member of the Australian Council of Superannuation Investors (**ACSI**) and the Australian Sustainable Finance Institute (**ASFI**). Rest supports and endorses the detailed submission put forward by ACSI on behalf of member funds, and the First Nations focus of the ASFI submission.

In particular, we would highlight the following matters:

- For the reasons outlined in ACSI's submission, we support the retention of certain recommendations from the 4th Edition Principles and Recommendations, which are proposed to be removed, being Recommendation 3.3 (disclosure of whistleblower policy),

¹ As at 31 December 2023.

Recommendation 3.4 (disclosure of anti-bribery and corruption policy) and Recommendation 4.2 (CEO and CFO declaration for financial statements).

- We strongly support the proposed changes to Recommendation 2.3 to raise the S&P/ASX300 measurable objective to a gender-balanced board (of at least 40% women / at least 40% men / up to 20% any gender). We believe that having gender-balanced boards improves performance and increases entity value.
- In relation to proposed Recommendation 2.3(c), we note the proposed change would not require any additional listed entity disclosure of diversity (beyond gender), unless the entity is considering such diversity characteristics in its board membership. While this is an essential starting point, other diversity factors are also important to avoid the adverse impacts that a lack of diversity risks. For example, listed entities could be required to provide proactive disclosure on how they are proposing to consider diversity generally (beyond gender) in board membership. Such an approach remains flexible enough for entities to respond as appropriate, however makes provision for a proactive disclosure on the important issue of diversity in board membership. As an investor, such information would support confidence in appointment decisions and understanding of how boards are considering increasing diverse perspectives.
- We strongly support the proposed Recommendation 3.3, which requires listed entities to have regard to the entity's key stakeholders, including a process for engaging with them and reporting to the board on such issues. We agree that such arrangements support long-term sustainable value creation, and incorporate the concept of an entity retaining a social license to operate. We make the following suggestions in relation to the commentary:
 - Increasing and elevating the importance of engagement with First Nations peoples as key stakeholders; and
 - Strengthening the language regarding the importance of constructive engagement with the workforce and relevant unions as key stakeholders.
- Further to the above, we strongly support the reference to gender diversity in Recommendation 3.4(c), and see an opportunity also to elevate First Nations and other diversity considerations into that Recommendation and commentary.
- We welcome the continued inclusion of Recommendation 6 relating to respecting the rights of security holders. We also welcome the additional language in the commentary at proposed Recommendation 6.2 relating to the investor relations program that “...*the entity should consider engagement with investors where a significant number of votes are cast against a resolution put to a general meeting, and (if appropriate) disclosure of any actions taken to understand and respond to that vote.*” We consider this to be a commonsense addition that recognises the importance of strong engagement with investors to understand issues of concern.

Conclusion

Rest values the opportunity to engage in the consultation and provide this submission. We would welcome the opportunity to further discuss at your convenience.