

25 January 2013

Mr Paul Lee
Co-Chairman, ICGN Shareholder Responsibilities Committee

Email: Audrey Hart <audrey.hart@icgn.org>

Dear Paul,

Principles on Institutional Investor Responsibilities Consultation

The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$500 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.

AIST supports the revised version of the Principles on Institutional Investor Responsibilities released for consultation by the ICGN in December 2012.

AIST wholeheartedly supports the overarching principles espoused in the document. Furthermore, AIST believes that the internal governance principles will assist boards to establish processes to properly evaluate and manage governance risks. Similarly, we believe that the external governance principles will be beneficial in helping to influence governance standards in companies that institutional investors invest in.

With regard to the investment chain, AIST submits that some greater clarity could be introduced for the agents provisions. While it is clear that agents employed by governing bodies should be held to account for adhering to the standards set for them, it is not so clear to whom these agents owe their 'duty of loyalty'. AIST submits that when an investment manager is hired by a pension fund, the client is not the pension fund but, rather, the beneficiaries of the plan or trust. The duty of loyalty is owed to the ultimate beneficiaries. While ultimate owners cannot delegate their underlying fiduciary duties, the agents employed should be aware that they too owe the duty of loyalty to the end beneficiaries.

AIST also supports the proposed inclusion of best practice case studies and examples in the final document. While we have concerns with the term 'best practice', we support the general intention of the initiative. 'Best practice' however indicates that further improvement is not possible, or perhaps not necessary, and we submit that continuous improvement should always be a goal to aid transparency and sustainable business practices.

Ultimately, AIST wishes to express its appreciation of the ICGN's work in this area and applauds the Committee on this revised draft. The principles assist in developing the professionalism and integrity of the global institutional investor community, which should similarly influence the organisations that they invest in or associate with.

If you have any further questions regarding this submission, please don't hesitate to contact me.

Yours sincerely,

Eva Scheerlinck
Executive Manager, Governance