



# Acadian Asset Management LLC

## Response to Treasury's April 2021 Consultation Paper: Greater transparency of proxy advice

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May 2021

### Introduction and background

Acadian Asset Management LLC ('Acadian') is a Boston-based investment management firm that specializes in systematic, active global and international equity strategies. We manage equity portfolios for our clients, and these clients are the ultimate shareholder for the assets we manage. Our clients often request that we, as their investment manager, proxy vote their shareholdings in the portfolios that we are managing for them. Where we are delegated this role, we view proxy voting as a key part of our fiduciary responsibility to clients and an integral part of the stewardship process. As an investment manager for longer-term shareholders, we seek to support management initiatives that are in the best interests of our clients to enhance the long-term value of their investments.

Our goal is to protect clients' rights through promoting governance structures and practices that reinforce the accountability of corporate management to shareholders. We use our voting power to inform companies of our views and expectations, and to protect and advance the interests of our clients. Acadian generally supports management nominations. We believe that most board members, including audit, compensation, and nominating committees, should be independent, and encourage executive compensation that is aligned to shareholder's interests. In some cases, we may withhold votes or vote against directors if they act against shareholders' best economic interests.

In 2020, Acadian voted on more than 100,000 ballots across a global investment universe of companies. Given our large investment universe, we retain a third-party specialist proxy advisory firm for a variety of services including receiving proxy ballots, proxy voting research and recommendations, and executing votes. For significant ballots, Acadian's Responsible Investing team can manually verify the proxy advisor's recommendations and where appropriate, engage with the investee company and the proxy advisor prior to the vote being made. The aim is to ensure proxy advice is given on factually accurate information. Our further analysis can range from sourcing alternative data to speaking directly to companies to understand their policies and procedures. Post AGMs, Acadian can follow-up directly with companies asking to see evidence of progress on any issues that have led to votes against. These targets are tracked and monitored over time. As a systematic manager, with a large investment universe, our approach offers a robust framework to conduct diligence on proxy advisors' recommendations. We are transparent with our voting practices and can communicate votes to our asset owner clients prior to and post voting has occurred.

We have provided our consultation response below based only on certain questions that are relevant to our process.

### **3. What should be the regularity and timing of reporting? For example, should trustees be required to provide their proxy voting policy to members ahead of an AMM?**

As a user of proxy advisory services as one of the (but not only) inputs into our stewardship process, it is important that we understand that provider's proxy voting policy. Similarly, as an investment manager where responsibility has been delegated proxy



voting on behalf of an asset owner, we provide our proxy voting policy to the asset owner along with proxy voting outcomes on request. It is also our view that proxy voting policies of asset owners be available to underlying members at least annually.

**4. What other information on how voting is informed by proxy advice should be disclosed by superannuation funds and why?**

A proxy voting policy will cover this as standard, including how proxy advice feeds as an input to voting.

**5. What level of independence between a superannuation fund and a proxy adviser should be required?**

It is our view that the relationship between asset owners and a proxy advisor should be clearly stated in a proxy voting policy. A relationship does not necessarily lead to a conflict. Proxy advice can be just one of the components leading to a voting decision. For example, where our clients vote proxies themselves, some ask our view on contentious proposals as one of the inputs to their voting decision.

**Questions 7 – 11**

In general, we promote the independence of proxy advisors' views and their ultimate voting recommendations. We also acknowledge that their advice is a valuable resource to their clients and that any proposed options should not diminish the ability for advisors to continue to provide independent and valuable research.

As an investment manager, we can review the recommendations made by proxy advisors and where appropriate engage with both the investee company and the proxy advisor. Despite this, we agree that dialogue between advisors and companies for a short period prior to a recommendation being made, along with increased accessibility of companies' responses, may assist in ensuring voting recommendations are accurate and follow agreed proxy voting policies.



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Acadian's quantitative investment process is supported by extensive proprietary computer code. Acadian's researchers, software developers, and IT teams follow a structured design, development, testing, change control, and review processes during the development of its systems and the implementation within our investment process. These controls and their effectiveness are subject to regular internal reviews, at least annual independent review by our SOC1 auditor. However, despite these extensive controls it is possible that errors may occur in coding and within the investment process, as is the case with any complex software or data-driven model, and no guarantee or warranty can be provided that any quantitative investment model is completely free of errors. Any such errors could have a negative impact on investment results. We have in place control systems and processes which are intended to identify in a timely manner any such errors which would have a material impact on the investment process.

Acadian Asset Management LLC has wholly owned affiliates located in London, Singapore and Sydney. Pursuant to the terms of service level agreements with each affiliate, employees of Acadian Asset Management LLC may provide certain services on behalf of each affiliate and employees of each affiliate may provide certain administrative services, including marketing and client service, on behalf of Acadian Asset Management LLC.

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