

31 May 2021

Market Conduct Division
The Treasury
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To Whom It May Concern

Please find below carsales.com Ltd's response to the consultation paper entitled: "Greater transparency of proxy advice" ("Consultation Paper").

Thank you for the opportunity to provide comments in response to the Consultation Paper.

In line with the Consultation Paper, we agree that proxy advisors have a high degree of influence in the outcomes of company resolutions and therefore the conduct of business in Australia.

About carsales.com Ltd

Founded in 1997, carsales.com Ltd (ASX: CAR) ("carsales") operates the largest online automotive, motorcycle and marine classifieds business in Australia and Encar, the leading automotive business in South Korea. carsales wholly owns classifieds businesses in Mexico, Argentina and Chile and is a significant minority shareholder of webmotors in Brazil. carsales is regarded as one of Australia's original disruptors and has expanded to include a large number of market-leading brands. The carsales network is Australia's number one online destination for buying and selling cars, motorbikes, trucks, boats, caravans, and machinery equipment. carsales has world-leading technology and advertising solutions that can be leveraged across its businesses around the world.

Find out more at www.carsales.com.au.

Executive summary of submission

We note that there are three areas of potential reform described in the Consultation Paper and, in carsales' view, the most important is facilitation of engagement between companies and proxy advisers. We have therefore focussed our response on this area. Given the influential role that proxy advisers have in corporate governance, we believe that standardising the way proxy advisers consult with companies prior to publishing a report, so those companies have an opportunity to respond, would significantly improve the transparency and accountability of proxy advice in Australia.

Ensuring our shareholders receive accurate information when making voting decisions is of the highest concern to carsales, a position we believe is shared by proxy advisers. An agreed

operating model around consultation and disclosure would help to standardise this process, increase the quality of information made available to institutional shareholders, and promote transparency for all parties.

Response to Submission Questions

carsales supports Option 3 and Option 4 set out in the Consultation Paper, and believes implementation of these options would have a positive impact on corporate Australia and its investors. In response to the specific consultation questions asked:

Question 7. How would the proposed options affect the level of engagement by proxy advisers with companies?

If the proposed options were to come into effect, we believe that proxy advisors would increase their level of engagement with companies. This would assist in providing greater accuracy of information to shareholders because companies could provide additional information to correct or clarify assumptions made by advisors. A report on financial results or remuneration matters without consultation may be one dimensional and we believe higher engagement would yield more accurate reporting, a deeper understanding of the company's business by shareholders, and better-informed voting.

Efficient access to a company's response to a proxy advisor report would assist in ensuring that proxy advisor clients, and therefore shareholders, are better informed on all matters concerning voting. It would also mean equal access amongst institutional shareholders to a full view of matters pertaining to voting. This is in stark contrast to the current approach which requires companies to attempt to identify those of its shareholders who have received a particular proxy advisor's report and seek to clarify or to provide further explanation where appropriate, often with insufficient time to meet with or to ensure that all shareholders have been identified and have received the additional information.

Given the large number of institutional shareholders in Australian companies, including a growing number of international shareholders, it can be difficult for a company to provide adequate engagement across its register. Whilst direct shareholder engagement is preferred, increased engagement with the four main proxy advisors, who in turn have broad reach across the institutional shareholder universe, is desirable, and achievable for companies even without significant investor relations resources.

Question 8. Would the proposed options mean that investors are more likely to be aware of a company's position on the proxy advice they are receiving?

Yes, carsales believes that in the event Options 3 and 4 in the Consultation Paper were implemented, it would undoubtedly help investors be more aware of a company's position. In fact, we believe that there would be further benefit from a requirement that proxy advisors make direct reference to a company's responses in the report where materially relevant to the advice being provided. We note that some of the main proxy advisors already adopt this approach, and carsales supports this approach being made universal.

Question 9. What is the most appropriate method for proxy advisers to notify their clients as to where the company's response to its report is?

We believe that the simplest way for a company's response to be available to all shareholders is through its investor website. Proxy advisers could then reference the website address as the location of the company's response at the start of its report, as well as following each recommendation in the report to which a response is required (i.e. where the advisor's recommendation is in disagreement with the company's position).

Question 10. If proxy advisers were required to provide their reports to companies in advance of their clients, what would an appropriate length of time be that allows companies to respond to the report and for the report to be amended if there are any errors?

We believe that a consultation period of 5 business days would be reasonable to allow for a company to evaluate the report, locate any additional materials necessary, and provide an informed response to the advisor prior to publication. In our view, this period strikes the optimal balance between allowing proxy advisers to operate efficiently and providing complete and accurate information to institutional shareholders.

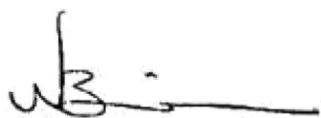
Question 11. Are there any requirements that should be placed on companies during this period, such as confidentiality? Are there any requirements that should be placed on proxy advisers during this period, such as not making their recommendation otherwise publicly known?

We recommend that both companies and proxy advisers be required to maintain confidentiality on matters of discussion until the report is completed and published.

General Comments

With the goal of transparency in mind, carsales has always welcomed voluntary disclosures in proxy advisor reports including; (i) the level of engagement the proxy advisor has had with the relevant company, (ii) any conflicts of interests that may exist, and (iii) identification of the proxy advisor's clients. Option 3 and Option 4 set out in the Consultation Paper may increase the likelihood of such transparency, however we additionally recommend regulation to mandate disclosure of the matters set out at (i) and (ii) above. Increased company engagement, together with these disclosures, would improve the quality of information provided to institutional investors and facilitate better-informed voting processes.

Yours sincerely,



Nicole Birman
Company Secretary
carsales.com Ltd