

4 June 2021

Manager
Market Conduct Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: MCDproxyadvice@treasury.gov.au

Dear Sir/Madam

Consultation Paper: Greater transparency of proxy advice

About Infomedia

Infomedia Ltd (**Infomedia** or the **Company**) is an ASX listed entity (ASX:IFM) with a current market capitalisation of approximately \$530 million and representing over 6000 registered shareholders. Infomedia provides a range of innovative software solutions to the automotive industry globally, servicing over 20 OEMs/or customers including, among others, Nissan, Toyota, Ford, Hyundai, Kia, BMW and Mercedes.

The Company was formed in 1987 and has been listed on the Australian Stock Exchange since 2000. Effective oversight and governance of the Company's operations (including its remuneration practices) is maintained by an independent, non-executive Board of Directors. The Company records a high degree of compliance with the ASX Corporate Governance Principles and Recommendations 4th edition¹.

Consultation submission

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

We agree that proxy advisers play a prominent and influential role in corporate governance in Australia, as outlined in the Consultation Paper, and we welcome opportunities to engage with them when analysing our results and preparing voting instructions. This is particularly so given that, in some cases, there is a disconnect between voting recommendations and actual voting outcomes². Any opportunity to provide additional data or clarify areas where needed, and to ensure that all shareholders have access to this additional explanatory information and contextual considerations are important. That said, some proxy advisers exhibit a high degree of commitment to engage and understand the Company's position before making a recommendation to their subscribers.

¹ <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-fourth-edn.pdf>

² Refer page 26 'Link Market Services AGM Snapshot 2021'; available for retrieval at https://www.linkgroup.com/agmsnapshot/2020-meetings/files/LNK_AGM_Snapshot_2020.pdf

Turning to the specific matters in the consultation paper, Infomedia supports the positions espoused in Option 3 and Option 4 of the Consultation Paper.

In response to the specific questions:

- **Q:** *How would the proposed options affect the level of engagement by proxy advisers with companies?*

A: We believe the proposed options would enhance the level of engagement by proxy advisers with companies. We also believe that the proposals add a necessary layer of transparency and accountability to the process by ensuring companies can effectively engage and discuss the claims made by the proxy advisers, providing an opportunity to address, clarify and correct assumptions made in the interpretation of results or remuneration matters.

Increased engagement with the Company prior to finalising their report is a critical step in ensuring clients have the full picture and reasoning behind voting instructions. It is important that Proxy advisers provide companies with the opportunity to view and discuss the report prior to publication so that errors and or additional material can be provided where necessary. Some proxy advisers demand full commercial payment to receive a copy of their completed reports. Fees charged are significant and often structured as an annual subscription instead of fee per report and pricing does not vary for small cap versus large cap companies.

Transparency as to which of the company's shareholders each proxy represents would also be a welcome improvement. Presently, it is difficult to ensure relevant investors have the correct or additional information the company wishes to provide in response to a proxy report.

In terms of best practice, we also believe that proxy advisers should be required to declare all conflicts of interest, and indicate all commercial relationships with other proxy providers, to ensure complete transparency and accountability.

- *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?*

We believe that the proposed options would benefit from being strengthened by a requirement that proxy advisers reference to the company's responses and to make the response sufficiently prominent in the report.

Presently, when adverse recommendations are made against proposed AGM resolutions, listed entities are often forced to engage third party advisors to prepare and administer 'proxy solicitation' campaigns to actively reach shareholders and present the Company's response to the adverse recommendations. Listed entities are already subject to significant compliance and governance obligations in connection with annual reporting and annual general meeting processes generally. The additional layers of expense and complexity of running dedicated proxy solicitation campaigns act as an inefficient drag on listed entities. We therefore strongly support Option 4, mandating that proxy advisers notify their clients on how to access the company's response to their report.

- *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 recommend that proxy advisers be required to prominently display a URL link to the Company's response on the front page of the report, and also directly following each recommendation in the report. For example, 'To view the Company's response to this recommendation please visit www.example123.com.au' at appropriate intervals in the proxy reports. The specific URL link could be nominated by the company concerned during the consultation process proposed in Option 3.

- *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?*

A period of five business days is fair and reasonable to address issues and ensure a fair outcome.

- *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 support the notion that each party should maintain confidentiality around their respective positions until the report is finalised.

Listed entities should be provided a copy of the final report, free of charge, at the same time it is released by the proxy adviser. The copy could be provided under a simple, standard form licence arrangement, permitting the listed entity to use the report for internal purposes, but also to extract and replicate portions of the report as may be reasonably necessary to respond further to the report. A standard form licence would protect the legitimate commercial interests of the proxy advisers, whilst providing a 'fair use' right to the listed entity as the subject of the report.

General comments

In addition to our responses outlined above, we support the notion that proxy advisors should:

- (i) maintain independence, both actual and perceived, at all times;
- (ii) be transparent in describing how they have reached the conclusions and recommendations contained in their reports; and
- (iii) be obligated to immediately issue a corrective statement where a patent error or defect is detected, or notified to the proxy adviser, in respect of any report.

Yours faithfully



Bart Vogel
Chairman
Infomedia Ltd