

3 June 2021

Market Conduct Division
The Treasury
Australian Government
Langton Crescent
PARKES ACT 2600

By email: MCDproxyadvice@treasury.gov.au

Dear Madam/Sir

Greater transparency of proxy advice consultation paper: InvoCare submission

About InvoCare

InvoCare Limited (**InvoCare**), has been listed on the Australian Securities Exchange since 2003, and currently has a market capitalisation of approximately \$1.53 billion. InvoCare, headquartered in Sydney, is a leading provider of funeral services in Australia, New Zealand and Singapore and operates private memorial parks and crematoria in Australia and New Zealand. It is also a leading provider of Pet Cremation services in Australia. InvoCare currently operates 290 funeral locations and 17 cemeteries and crematoria, all in competitive markets in Australia, New Zealand and Singapore. InvoCare employs around 1,800 people in these markets and for 2020 had sales revenue of more than \$470 million.

Consultation paper: Facilitating engagement between companies and proxy advisors

Introduction

InvoCare acknowledges the important role proxy advisors play for shareholders through their research and provision of voting recommendations on matters to be put to shareholders for consideration. Given the importance of this role we believe there should be an appropriate level of accountability and standards of governance. InvoCare welcomes the opportunity to provide feedback to the consultation paper and supports the development of reforms to strengthen the transparency, consistency and accountability of the proxy advisor sector. Ultimately, we see that the provision of appropriate safeguards in the system not only ensures it is fair, independent and accurate but importantly promotes the level of trust required to ensure its efficacy.

Option 3: Facilitate engagement and ensure transparency, Option 4: Make materials accessible and Option 5: Ensuring advice is underpinned by professional licensing.

InvoCare is supportive of the initiatives identified in Options 3, 4 and 5. We believe these measures will provide :

- Greater transparency as to the process by which proxy advisors reach their recommendations;
- Better reflect the position of the Company with respect to the recommendations made;
- An opportunity to correct in advance any inaccuracies in analysis and data contained in reports;
- Mechanisms to ensure there is a requisite level of expertise, skill and commercial experience to express opinions on the matters covered in their reports; and
- Clarity around perceived or real conflicts of interest, where proxy advisor services extend beyond proxy recommendations and reports.

Below is InvoCare's responses to the specific questions posed in the Consultation paper.

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

Each year, recognising the potentially serious repercussions for InvoCare and the importance to its shareholders of the recommendations made by the proxy advisers, senior management, the Chairman of the Board and the Chair of the People, Culture and Remuneration committee devote a considerable period of time preparing for and engaging with some of the proxy advisers. Not all proxy advisers have the resources or capacity to engage, resulting in limited or insufficient briefing and response to items which can involve complex financial and accounting matters.

We would expect that the proposed options would support a level of engagement that afforded the Company an improved opportunity to respond to areas of concern raised by proxy advisers, correct any inaccuracies and articulate our position on the analysis and recommendations contained in a report. In addition, we would expect it would ensure that the company had an opportunity to engage with all proxy advisers which issue reports on the company.

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, in circumstances where proxy advisers were required to publish a company's response to their report and recommendations.

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?*

Ideally, if a company has been provided an opportunity to respond to the report before it is published then the company's response should be included in the relevant section of the report. If not, the company's response to the report could be provided on a website with clients being notified by the advisor that a response exists and being provided with a weblink to access it.

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?*

A period of five business days to respond to a report is an appropriate length of time. Notices of shareholder meetings are issued at least 28 days prior to a meeting being held. This significant period of time is a sufficient period to enable:

- engagement between a company and proxy advisers;
- proxy advisers to prepare their reports and for companies to respond;
- proxy advisers to address any feedback from companies; and
- reports to be issued to clients with enough time for clients to lodge their votes within deadlines for voting.

In our experience, approximately 75% of the institutional vote, i.e. the shareholders who predominantly rely on proxy reports, is lodged in the last 48 hours of the proxy voting period.

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?*

During the period of engagement between a proxy advisor and a company and until publication of the report both parties should be required to maintain confidentiality.

In general, the areas we consider should be addressed to improve the transparency and accountability of the proxy advisor sector include:

- Establishing consistent and transparent rules of engagement between companies and proxy advisors;
- Requiring proxy advisers to maintain independence;
- Introduction of disclosure requirements covering;
 - conflicts of interests;
 - where a proxy advisor is not the author of the report, i.e. the recommendations are not based on their own research and engagement with a company;
 - how the research supports the advice and recommendations; and
 - the level of engagement an advisor has had with the company, such as number of meetings and type of meetings held.
- Reports and recommendations to be made available to a company before they are provided to clients with companies having adequate opportunity to respond and have the responses made available to users of the report.

Thank you for providing the opportunity to be involved in this important area of reform.

Yours faithfully,



Bart Vogel
Chairman.