

Date: 04 June 2021

Legal & General Investment Management  
One Coleman Street  
London EC2R 5AA  
United Kingdom

Market Conduct Division  
The Treasury  
Langton Crescent  
Parkes ACT 2600  
Email: [mcdproxyadvice@treasury.gov.au](mailto:mcdproxyadvice@treasury.gov.au)

**Re: Australian Treasury - Consultation regarding 'Greater transparency of proxy advice' – Input from Legal & General Investment Management (LGIM)**

Dear Sir/Madam,

Legal & General Investment Management ("LGIM") is one of the largest international investors globally with assets under management of £1.3 trillion (as at 30 December 2020). We manage assets for a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors. As a significant investor, we share a responsibility to ensure that global markets operate efficiently and uphold the highest level of corporate governance and sustainability standards to protect the integrity of the market – and our client's assets - over the long term. In this context, we are not seeking short-term gains but rather the sustainable economic growth and returns in the markets that we invest in. We take our responsibility and fiduciary duty very seriously and have a long history of engagement in markets across the world, please see our latest Active Ownership Report<sup>1</sup> for further information.

In this regard, LGIM welcomes the opportunity to be able to respond to the above-mentioned consultation. LGIM supports further strengthening corporate governance and stewardship standards to ensure accountability and transparency in the market. We believe policymakers should support a market that encourages independent, high-quality, and timely research that is aligned with strong investor rights. As such, we do have concern with the proposals set out in the consultation. We have summarised our key points below.

We would also highlight that the consultation mentions the work of the US Securities and Exchange Commission (SEC) on proxy advisor regulation, the Treasury will now be aware that the SEC will not enforce this rule (that was not supported by most institutional investors) and will reconsider guidance<sup>2</sup>.

Our key points for consideration:

- **Prior review**

The proposals will contemplate a requirement that proxy advisors share advance copies of their recommendations with issuers. Proxy advisors are agents of and contracted by institutional investors, such as LGIM, not of issuers. We do not believe a mandatory process for prior review by issuers of the work product of their agents, the proxy advisors, would be desirable or helpful to the proxy voting process. It would slow the entire voting process, reduce sufficient time for considered review, and add unnecessary cost. This section is very much linked to our second section on 'independence'.

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<sup>1</sup> <https://www.lgim.com/landg-assets/lgim/document-library/capabilities/active-ownership-report-2020.pdf>

<sup>2</sup> <https://www.sec.gov/news/public-statement/corp-fin-proxy-rules-2021-06-01>

- **Independence**

In our view, any regulation intruding on the independence of proxy advisors, their research and their agency relationship to institutional investors would be a would severely jeopardize the shareholder rights and the interests of investors, individual and institutional, in a fair and fully functioning proxy voting system.

It is important to remind the Treasury that it is the institutional investor that has the fiduciary duty to asset owners and therefore takes the final decision on how to vote. Institutional investors have developed detailed (publicly available<sup>3</sup>) custom voting policies and proxy advisors provide valuable independent research that feeds into how a final decision is made.

- **Transparency**

As noted above, our policies, voting reports, and our engagements are publicly available. LGIM also provides further details on use of proxy advisors and voting decisions through a variety of publicly available guides<sup>4</sup>, documents<sup>5</sup>, and blogs<sup>6</sup>. We also annually report to the UK's FRC and UN PRI. We would recommend that the Treasury explores strengthening transparency through developing a clear and ambitious Stewardship Code, similar to that in the UK<sup>7</sup>.

If you would like to discuss any of our suggestions further, please do not hesitate to contact us.

Yours sincerely,

**Alexander Burr**  
ESG Policy Lead  
Investment Stewardship  
Legal & General Investment Management

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<sup>3</sup> <https://vds.issgovernance.com/vds/#/MjU2NQ==/> and

<https://www.lgim.com/uk/en/capabilities/investment-stewardship/>

<sup>4</sup> [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/a-guide-to-proxy-voting-chain.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/a-guide-to-proxy-voting-chain.pdf)

<sup>5</sup> [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf)

<sup>6</sup> [LGIM's voting intentions for 2021 \(lgimblog.com\)](https://www.lgim.com/blog/2021/01/21/lgim-voting-intentions-for-2021)

<sup>7</sup> <https://www.frc.org.uk/investors/uk-stewardship-code>

