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Market Conduct Division/Retirement Income Policy Division  
Treasury  
Langton Cres  
Parkes ACT 2600  
By email: [MCDproxyadvice@treasury.gov.au](mailto:MCDproxyadvice@treasury.gov.au)

Dear Treasury officials

We are responding to your invitation to comment on the issues raised in the “Greater Transparency of Proxy Advice consultation paper” (the paper).

Our comments are from the perspective of the Vision Super voting process, and we make no comment on many of the assumptions made in the paper. We can only speak to how Vision Super uses proxy advice, as we have limited knowledge of what other superannuation funds do.

### **Background**

Vision Super was founded in 1947 and is a superannuation fund traditionally focused on local government and local authorities employees in Victoria. Vision Super utilises proxy research advisers CGI Glass Lewis Pty Ltd and Australian Council of Superannuation Investors (ACSI) for proxy advice, information about trends in upcoming reporting seasons that will feed into our considerations, meetings organised by the proxy advisers with company directors, monitoring our voting record for disclosure purposes, and uploading our votes to our website for review. We also utilise proxy adviser Institutional Shareholder Services (ISS) via our custodian to lodge our votes. We vote on our own behalf and do not rely on fund managers or proxy advisers to do so. Voting resolutions are mostly straight forward. Without the use of proxy advisers filing our ballots would be extremely laborious and time-consuming. The proxy advisers we use play varying roles, and our own investment beliefs and policies are superimposed across their input. The proxy advisers we use are selected through a competitive process and we regularly review whether the quality of advice provided represents value for money.

### **Customised recommendations**

The paper uses the term “proxy adviser’s recommendation”.

We note that customisation of services is now a common feature of the market, and our proxy advice is customised to Vision Super’s policies and guideline, which are rooted in acting in the best interests of our membership. This means that Vision Super and other clients of a proxy adviser will receive different voting recommendations.

Given this degree of customisation is now common, the use of the term a “proxy adviser’s recommendation” in the paper is anachronistic. There is no single recommendation that applies to all clients.

### **Vision Super’s shareholder interests**

Over the course of calendar year 2020 Vision Super voted with management 90% of the time. It is important to note that while board and shareholder interests usually coincide, this is not always the case. To assume that they do would be very poor corporate governance - Australian corporate history is littered with counter examples. We understand that across the industry, ASIC’s 2018 Review identified that of 1,125 items of business at general meetings of the ASX200, there were 148 proxy recommendations that were not in line with the company’s recommendation, with an average vote of 17% against these resolutions. Our experience is that if there is an



issue with proxy advice, it is that shareholders are failing to hold boards of listed companies sufficiently to account.

Where our proposed vote is contrary to management's recommendation and/or proxy advice the reason often relates directly back to our proxy voting policy and guidelines. On occasion we will follow up with our fund managers for their perspectives and/or with the company. As a smaller investor, we are often unable to get access to companies in the short window available. A five-day window in which the company can review the proxy advice prior to it being available to investors would further restrict our ability and the ability of other smaller investors to engage effectively.

We note that our experience has been that the proxy advisers have been very good at faithfully reproducing the arguments from companies and opponents (if any) of resolutions in the one document.

### **What issue is Treasury trying to address?**

The consultation paper implies through its questions and its options that there is an issue with proxy advice in Australia. No evidence has been put forward to support such a perspective. We note that some of the suggested measures have been put forward in Europe and the US but there was found to be no cause for implementing them. As an example, in 2013, the European Securities and Markets Authority came to the conclusion after public consultation that there was no evidence of an inefficient proxy advice market, and hence did not pursue any regulatory reforms of proxy advisers. We are unaware of any material mistakes (that would have changed a voting decision).

In our experience company engagement is actually facilitated by proxy advisers, not hindered by them. We do not see company AGM's being swamped by shareholder ballots; if anything, shareholders have few rights in this regard, particularly retail investors.

In terms of access to companies' positions on resolutions we have no issues. Companies put their positions on meeting resolutions on their websites, and it takes a very short period of time to find their views. Often the proxy advisers will put links into their advice so that not even a search is required.

### **Views on options**

#### **Option 1 – improved disclosure of trustee voting**

It is not clear to us why this option relates only to superannuation funds as compared with a mutual company or any fund manager voting on behalf of its investors. It is not clear how additional disclosure of every piece of proxy advice would improve disclosure. As outlined above, voting recommendations provided by proxy advisers may vary from client to client based on the same research. Further, given thousands of ballots are lodged domestically and globally, how much information is being contemplated? Any additional information will come at a cost, as funds will need to resource to do this. We are in favour of transparency, but the industry already has a perfectly adequate stewardship code.

Each institutional investor should be accountable for its own decisions, whether its advice was internal, came from a proxy adviser or came through a fund manager engagement.

#### **Option 2 – demonstrating independence and appropriate governance**

Treasury's rationale here is not clear. We see no reason why a proxy adviser should be independent from its clients as opposed to the companies it researches. We are unaware of this being a requirement in any jurisdiction internationally. We do not believe independence would make any difference to the advice we receive or how we vote. Treasury should be clear as to what evidence it has that independence of clients from proxy advisers is desirable.



**Option 3 – facilitate engagement and ensure transparency**

Our understanding is that the proxy advisers we purchase research from already engage extensively with companies. The SEC in the US canvassed the option of allowing companies to review proxy advisers' recommendations before they went to clients. The SEC abandoned the proposal because it was unworkable. If this option is pursued, we are concerned the proxy advisers would not be able to provide independent advice. We also do not understand the logic of having advice that we pay for going to a third party before we are even allowed to see it. Why would this approach not apply to providers of research reports, which can be very influential on positions taken by investors? ASIC Regulatory Guide 79 (RG 79.141) specifies that research reports should go to clients **before** the product issuer (company) and that any fact checking must be done without communicating recommendations or opinions to this entity.

We are unaware of any proxy adviser having to make a substantial change to a recommendation as a result of a material factual error. We are concerned that this option would result in a shorter timeframe within which we would need to reach a decision on controversial resolutions. This may impact on the quality of our decision making.

We note that it is not the case that companies are unable to put forward their arguments. In our experience, they can and do put forward their case to the best of their abilities. This proposal would shorten our timeframe for decision, unless the AGM notice periods are also extended. We also see it as having, if anything, a negative impact on independence and transparency of advice. We would need to see evidence of any issues with proxy advice to understand what actions might be appropriate to address said issues.

We are opposed to this measure. It is likely to reduce transparency and may reduce engagement given the shorter period between receiving advice and having to make a decision (unless notice periods are also extended).


**Option 4 - make materials accessible**

As noted above, it is already very straight forward to access company material on company resolutions. We do not think there is an issue here and we have not had an issue in accessing companies' views in the last few years either from company websites or the ASX platform. Accessing information is easy for any investor retail or institution with internet access.

**Option 5 – ensuring advice is underpinned by professional licencing**

As noted above, we find the advice we receive of high quality. We have seen no evidence of market failure.

Yours faithfully

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Stephen Rowe  
Chief Executive Officer

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Michael Wyrsh  
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