

1 June 2021

Mr Robert Jeremenko / Mr Ben Dolman
Market Conduct Division / Retirement Income Policy Division
Treasury
Langton Cres Parkes ACT 2600
Email: mcdproxyadvice@treasury.gov.au

Dear Mr Jeremenko and Mr Dolman,

CONSULTATION PAPER – GREATER TRANSPARENCY OF PROXY ADVICE

On behalf of UniSuper, thank you for the opportunity to make a submission in relation to the Treasury Consultation – Greater Transparency of Proxy Advice.

UniSuper is the super fund for Australia's higher education and research sector, with 450,000 members and \$95 billion of assets under management. As a large asset owner and user of proxy advice in the Australian market, we wish to provide our perspective on the role that proxy advice plays in our proxy voting process.

We are an active investor committed to principles of responsible investment. Key tenets of our approach include:

- Consistent with our fiduciary duty to act in our members' best financial interests, we consider ESG factors across all of our investments and seek to understand all opportunities and risks
- We believe that good companies with good corporate behaviour make for better investments, as these companies tend to manage other aspects of their business well
- We actively engage with investee companies on a range of commercial, strategic and ESG matters and
- We exercise all proxy votes for listed Australian and international share holdings.

We use and value proxy advice as an input into our voting process, specifically to inform ourselves on the often complex and technical issues we are asked to vote on during the compressed AGM season in the second half of each calendar year. While we may note the recommendations made by our proxy advisers, these are only recommendations and we make our own independent decisions based on all relevant inputs including our extensive engagements with investee companies, their management and board members.

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As Chief Investment Officer, the final decision on all votes rests with me, after discussions with relevant members of my Investments team. This is especially evident in the small minority of cases where votes are contentious, that is, where our vote is different from a board recommendation.

We set out below our view on the relevant Treasury Consultation proposals.

Option 1 – Improved Disclosure of Trustee Voting

Our proxy voting policy is set out in our Responsible investment and proxy voting policy document (<https://www.unisuper.com.au/-/media/files/investments/responsible-investing/responsible-investment-and-proxy-voting-policy.pdf?la=en&hash=39387B4E73A86667D06EFBFCA09936A6>). We also produce a Responsible Investment Report every 6 months which sets out details of our ESG activities, a summary of our voting record over the period as well as case studies of interest including topical issues and AGM resolution votes. This report (<https://www.unisuper.com.au/investments/how-we-invest/responsible-and-sustainable-investing/responsible-investment-policies-statements-and-reports>) also includes an Appendix setting out our proxy voting record for Australian and international companies.

We are supportive of the intent of this option and believe that we are already a leader in disclosure of our proxy voting. We do not support the suggestion in the Consultation paper that we include details on how our voting differed from proxy advice as it would over emphasise this element of our process when it is only a single input among many.

Importantly, we communicate any substantive vote which differs from the Board recommendation to the relevant company with our detailed reasoning for why we voted as we did.

Option 2 – Demonstrating independence and appropriate governance.

We do not support this proposal. For us, it is critical that proxy research is independent of the companies being evaluated. Every investment decision of UniSuper is made independently and in the best financial interests of our members. External investment research from brokers, consultants, proxy advisers and others provides information and analysis which can be helpful to our investment decision making. However, as a large superannuation fund our decision making is our own, for which we take full responsibility.

Option 3 – Facilitating engagement and ensure transparency.

We support facilitating engagement between companies and proxy advisers. This helps ensure that proxy research is factually accurate and incorporates any additional context and information from the company. However, we are not supportive of the proposal to require proxy advisers to provide their report to the relevant company before distributing it to subscribing investors. Proxy voting already occurs on a short timeframe with the majority of votes in Australian companies occurring in two months of the year. There is a short window

between the release of a notice of meeting 28 days ahead of a meeting, the delivery of proxy research and the cut off for proxy votes ahead of the relevant meeting. Proxy research is typically only released within a week of our voting deadline.

With this timeframe in mind, we are concerned that the example 5 day review period could further shorten the time available for investors to review external research and engage with the relevant company. The unintended consequence of this proposal could be to limit the timeframe for the important direct dialogue between companies and investors ahead of voting decisions being made.

We welcome the recent practice of companies providing responses to proxy reports ahead of voting deadlines. This demonstrates a sensible solution to any possible concern about factual errors without impacting on the time available for investors to evaluate proxy research.

We trust that our submission provides you with clarity on our proxy voting practice. Please contact me or Lou Capparelli, Senior Manager, Sustainable Portfolios & Governance, should you require any further information on UniSuper's position.

Yours sincerely



John Pearce
Chief Investment Officer
UniSuper