

2 March 2015

Dr Kathleen Dermody
Committee Secretary
Senate Economics Legislation Committee
Parliament House
CANBERRA ACT 2600

Submitted via [online upload facility](#)

Dear Dr Dermody,

Inquiry into the Australian Securities and Investments Commission Amendment (Corporations and Markets Advisory Committee Abolition) Bill 2014

The Australian Council of Superannuation Investors (ACSI) is pleased to make this submission to the above Inquiry currently being undertaken by your Committee.

About ACSI

By way of background, ACSI is a collaboration between 31 Australian profit-for-members superannuation funds and 6 major international pension and sovereign wealth funds. Through ACSI these institutional asset owners exercise their collective ownership rights to improve the management of environmental, social and governance (ESG) investment risks and opportunities by Australian listed companies. Full details on ACSI and its research publications, policy positions and members are available on our website (www.acsi.org.au).

ACSI's Australian member funds in aggregate manage over \$400 billion of superannuation assets on behalf of more than 8 million Australian fund members. Of this total, approximately 30% is invested in Australian listed equities, which translates to collective ownership of approximately 11% of the average ASX 200 listed company (and growing in accordance with the growth of the Australian superannuation industry generally).

This scale of investment in the Australian listed equities market means our members have a strong interest in the Corporations Legislation and broader corporate regulatory environment in Australia, including the specific matters that are subject of the Bill currently under consideration by the Committee.

ACSI's response

ACSI would like to add its voice to the widespread chorus of opinion already expressed by a number of representative bodies in the business, corporate governance, investor and legal communities at the time of announcement of the proposed abolition of CAMAC, that this measure is a retrograde step that should be reconsidered by the Government.

In ACSI's experience, CAMAC has been a highly productive forum through which all market participants, including the large institutional asset owners that we represent, have been able to contribute constructively to policy formulation and innovation in Australia's corporate regulatory system.

Topics that have been addressed by CAMAC over recent years that had – and still have – direct relevance to ACSI members' interests in sound corporate governance and regulatory practices have included:

- The legal and policy foundations of Australia's director liability framework;
- Improvements to corporate disclosure policies, including Australia's pioneering continuous disclosure regime;
- Important upgrades to senior executive and director remuneration practices and disclosure requirements;
- Ways to improve board diversity; and
- Opportunities to modernise Australia's shareholder accountability framework, through constructive engagement between companies and their shareholders and reforms to AGM procedures and practices.

ACSI has not always agreed with all recommendations stemming from past CAMAC reviews, but we strongly believe that the Committee's independence, evidence-based approach and commitment to widespread consultation have generally led to a productive outcome and to a strong sense of inclusiveness of all stakeholders in the corporate law reform process.

The CAMAC structure also has the distinct advantage of leveraging the expertise of expert practitioners from various parts of the corporate regulation ecosystem, without needing to bear all of the overhead expenses of employing those resources. It is difficult to see how these same attributes could be readily replicated by transferring CAMAC's research and advisory functions to the Department of the Treasury, at least without incurring significant additional costs that we expect would significantly outweigh the savings being made by the proposed Bill, which we understand are as low as \$1 million or less per annum.

Conclusion

In conclusion, ACSI submits that the proposed Bill under consideration should not proceed through the Parliament, and the Government should formally reinstate CAMAC and ensure it has sufficient resources at its disposal to complete its previously-assigned workload, as well as to accept future references on important corporate law reform issues.

In this regard, we particularly urge the Government to empower CAMAC to follow through to conclusion its *Review of the AGM and Shareholder Engagement*, which was the subject of extensive industry-wide input and consultation in 2012 and 2013, but which has fallen into abeyance since the Budget announcement in May 2014. This Review was a catalyst for discussion of many initiatives to modernise Australia's corporate accountability framework, including rectification of certain legal anomalies and antiquated processes that are clearly impeding the efficient operation of Australia's capital market, and that are currently drawing adverse attention from major international institutional investors as well as the domestic ones that ACSI



primarily represents. We can of course elaborate further on details of these issues should the Committee so require.

I trust that our comments are of assistance to the Committee.

Yours sincerely,

Gordon Hagart
Chief Executive Officer.