

Answer to question on notice: HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON  
ECONOMICS INQUIRY INTO THE IMPLICATIONS OF COMMON OWNERSHIP AND CAPITAL  
CONCENTRATION IN AUSTRALIA

**CO-ACSI01QON:**

CHAIR: Thank you, Ms Davidson. Almost at the end of your opening statement, you made reference to research that's been completed by ACSI related to how its advice was, shall we say, operationalised by its members. For clarity: you've given us some headline data, but is the actual copy of that report publicly available? Ms Davidson: I don't think that report has been made publicly available, but we could certainly look at whether there's further data that we can provide. [...]

CHAIR: But there'd be no reason why ACSI wouldn't be prepared to make it available to this committee? Ms Davidson: I'd have to look at that, Chair, because it was an internal report. 'Report' might be too formal a word; it was a piece of research that we undertook internally. We'd have to see. I'm not sure that it's in a format for publication. That would be my question. CHAIR: On notice, would you consider it? I would accept, as I suspect other members would, that there might be a case that a certain section of it may be redacted. I can't imagine that it would be that commercially sensitive, but I could be wrong. If you could do that, that would be helpful for our own purposes. Obviously, we could go to the parliament and compel it, but I'd rather ask for it politely. For clarity: you can submit things to the committee on a confidential basis. They remain with the secretariat; they're not publicly available; they're not available to committee members beyond their capacity to view them.

**Answer:** ACSI undertook a one off exercise, for internal use, in relation to the 2018 voting season.

Of the total 1712 resolutions assessed, 1451 were considered 'non-contentious'. For those 1451 resolutions, consistency in voting right across the market can reasonably be expected and therefore those resolutions were excluded from the exercise. The remaining resolutions were considered 'contentious' on the basis that either:

- ACSI's recommendation differed from the company board's recommendation; or
- at least one member fund opposed the company board's recommendation.

For each 'contentious' resolution, ACSI recommendations were compared with the voting patterns of three member funds. (The analysis excluded 5 resolutions where no fund voted and so no comparison was possible.)

Of the 256 'contentious' resolutions, voting decisions differed (across the three member funds or from ACSI's recommendation) in 58 per cent of cases.

**COACSI02QON**

Dr LEIGH: Thanks to you, Ms Davidson, and your colleagues for taking the time to appear today. The most valuable piece of evidence you gave in your statement is about the behaviour of three unnamed funds and their 22 September 2021, Hansard, p. 28 3 voting practices. I take it you can't tell us which three funds they were?

Ms Davidson: No. In fact, I don't know which three funds they were. I think we'd probably need to at least warn them if we were to name them at this point, anyway.

Mr John: Yes. Those were provided on a confidential basis, but, as we come back to you on notice, we'd be happy to work through that.

**Answer:** The report in question was produced as a one-off internal exercise for academic interest; as ACSI's advice is non-binding, there is no ongoing reason for us to track member voting behaviour and the funds in question were intentionally de-identified for this purpose.

Since that time, many funds now publish their voting decisions and their recent voting decisions are publicly available.

#### **COACSI03QON**

Dr LEIGH: Yes, although to publish them a year on wouldn't be problematic. It goes to one of the key questions that this inquiry has, which is whether superannuation funds hunt as a pack. The biggest investors in Australia aren't super funds, they're index funds. But if you were to take the super funds as a group, then they would, of course, be larger than individual index funds. The sort of analysis you've produced for us is very useful, but it's a few years old, and it would be really valuable for this committee if you, or maybe even the Association of Superannuation Funds of Australia, were to produce more up-to-date research showing the correlation in voting patterns across super funds. If they're behaving as independent entities, then we would be much less concerned about common ownership problems across the super sector as a whole.

Ms Davidson: Yes. Happy to take that onboard for consideration.

**Answer:** As ACSI's advice comprises recommendations and is non-binding, it is currently not an organisational priority to allocate resources to tracking member voting behaviour.

#### **COACSI04QON**

Dr LEIGH: In terms of other transparency measures, what's your view on a register of beneficial ownership? [...] Dr LEIGH: What about US-style 13F portfolio disclosures for investors holding, say, more than \$100 million of assets? What if they were to have to disclose their holdings of listed equities on a quarterly basis? Ms Griffiths: Again, we're happy to take that on notice and consider that in more detail and come back to you.

**Answer:** Portfolio holdings disclosure requirements are the subject of a separate consultation currently. The specific proposals relate to disclosures made by investors, which is largely beyond ACSI's remit, and therefore at this point, ACSI does not have a view on whether further measures are desirable.

#### **COACSI05QON**

Mr FALINSKI: Who are your shareholders? Ms Griffiths: Would it help if we came back on notice? We are a company limited by guarantee, and we have a number of members who I think, if you were to use the term 'shareholding'—yes, you might use the term 'member' and 'shareholding' interchangeably. To reference our members as 'shareholders' is perhaps one way you could express it, absolutely. Mr FALINSKI: Sure. Okay. I've asked a simple question about five or six times. On notice, could you please provide to this committee and to the parliament of Australia who your owners are. Thank you. My next question is: how do you set your fees and charges? Ms Davidson: What I'm trying to understand, Mr Falinski, is whether you want us to talk about the structure of our fees, or the process that we go through in order to arrive at how much the fee quantum should be. Mr FALINSKI: I'm interested in the process, but could you please also take on notice how you structure your fees. What is the process?

**Answer:** ACSI is a company limited by guarantee. As a not-for-profit organisation, our fees are set to cover costs and subsequently subject to an approval process by our board.

The ACSI Constitution, which sets out this information, along with a list of our members, is publicly available information. Please find attached\*

### **COACSI06QON**

Mr FALINSKI: No; I heard it. That's why I am raising it. I've got to say, Mr Johnson, that, given that your organisation is dedicated to the proposition that good governance is open and transparent governance, I simply don't understand what the problem would be in providing a company that you've conducted research on the opportunity to respond to that research in case there were factors that you were unaware of or potentially context that would make more sense to you.

Mr John: For one thing, I think it would actually breach current financial services laws and obligations. I'm not sure what you're—

[...] Mr FALINSKI: Mr John, are you trying to suggest to this committee that ascertaining the accuracy of information with a company is in breach of current AFSL?

Mr John: I'm not saying that. I'm just saying that under the current regulatory guides [inaudible]. I'd be happy to take that on notice and provide something for you to peruse perhaps and have a further conversation.

**Answer:** ASIC Regulatory Guide 79 'Research report providers: Improving the quality of investment research' provides guidance for AFS licensees who are research report providers. Regulatory Guide 79 provides (at paragraph 79.141):

"Research report providers should ensure that research reports or information about their contents are not communicated outside the research report provider before the report is provided to clients in the normal course of business. This does not mean that a research report provider cannot check the factual accuracy of parts of a research report with a product issuer before it is provided to clients. *However, we expect that this checking would be done in a carefully controlled way (e.g. without communicating the recommendations or opinions also contained in the report).*" (emphasis added)

Nonetheless, the views of a company are one important source of information for ACSI. ACSI holds over 250 meetings each year with listed companies to understand their issues and perspectives, and ACSI values the relationships and dialogue. However, listed companies are just one source of information for ACSI. It is important that ACSI members get trusted advice which is independent of the companies themselves. Therefore, while ACSI engages in a timely way with companies before voting recommendations are finalised, ACSI ultimately draws from a range of sources in forming its opinions, to help protect the financial interest of ACSI members and, in turn, their members.