13 September 2021

Committee Secretary
Standing Committee on Economics
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INQUIRY INTO THE IMPLICATIONS OF COMMON OWNERSHIP AND CAPITAL CONCENTRATION IN AUSTRALIA

On behalf of the Australian Council of Superannuation Investors (ACSI), thank you for the invitation to make a submission to the inquiry into the implications of common ownership and capital concentration in Australia. We welcome the opportunity to provide information to support the Committee's understanding of ACSI's role and operations and outline why theories on common ownership and competition are not applicable to ACSI's work.

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members include 36 Australian and international asset owners and institutional investors. ACSI's membership spans industry funds, public sector funds, international investors and corporate funds.

Through research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership to strengthen investment outcomes. Active ownership allows institutional investors to enhance the long-term value of retirement savings entrusted to them to manage. ACSI members can achieve financial outcomes for their beneficiaries through genuine and permanent improvements to the environment, social and governance (ESG) practices of the companies in which they invest.

ACSI's position

In summary:

- ACSI does not hold shares in listed public companies, nor does ACSI vote on behalf of its members;
- There are no voting agreements between ACSI members;
- Investment and voting decisions are always made by funds on an individual basis; and
- There are many examples of funds voting differently to each other, and differently from recommendations made by ACSI.

ACSI does not own shares in listed public companies (or otherwise). ACSI provides an efficient way for its members to undertake their stewardship activity, while each member maintains its independence.

ACSI supports its members in understanding ESG risks in listed company investments. While many risks exist across the market, the materiality of such risks will depend on the investor's exposure, the sector and the individual listed company.

ACSI provides research on, and engages with, listed companies in relation to financially material ESG issues. We focus on areas such as good governance, executive pay, climate change and modern slavery risk and mitigation. ESG risks impact investors in different ways and appropriately understanding and managing these risks is an important part of a superannuation fund's responsibility as stewards of retirement savings. The financial nature of these issues is widely accepted both within Australia and internationally by business, regulators and organisations such as the Reserve Bank of Australia.

ACSI's membership spans a range of organisations including industry funds, public sector funds, international investors and corporate funds. Reflecting their diversity, ACSI members take differing approaches to their investment and stewardship activity, with the exception that they all are focused on the best financial interests of their beneficiaries.

ACSI members each take their own approach to investing, and investment strategy is not discussed through ACSI.

ACSI provides company research and voting recommendations to those members who subscribe for the service. For those members that subscribe, this service acts as one input into their decision making on how they exercise their voting rights. Other inputs include the recommendations of other proxy advisers, fund managers, internal investment specialists, as well as other advisers. Each member takes their own decisions in relation to voting on resolutions for their listed company investments.

ACSI's members do not collectively determine their voting positions through ACSI. Not all members subscribe to ACSI's voting research[1], and in relation to contentious resolutions, practice shows that ACSI members vote differently on many occasions. For example, in early 2019, ACSI undertook an internal review of its 2018 voting recommendations for the ASX200 compared to the company's recommendations and three member funds' voting decisions[2]. The vast majority (85 per cent) of the resolutions followed the company board's recommendation and therefore consistency in voting right across the market can reasonably be expected. Of the remaining 256 resolutions (that is, where ACSI or at least one ACSI member fund opposed the board's recommendation), the data shows that voting decisions were not the same across the three member funds in 58 per cent of cases. This reflects the different approaches taken and clearly demonstrates that ACSI members take their own decisions.

Further, engagement on ESG issues by asset managers and asset owners does not focus on matters affecting competition. The focus for investors is on improving company performance over the long-term for the best financial interests of their beneficiaries.

As our members act independently of ACSI and each other, and the subject matter of ACSI's work does not go to issues of competition, questions on the extent of capital concentration and common ownership of public companies are not applicable to ACSI's work and operations.

In any event, behaviour by an investor or company that attempts to adversely influence competition would likely breach existing laws, including provisions of the Competition and Consumer Act and/or the Corporations Act. It would also be contrary to the good practices that ACSI seeks to promote.

I trust our comments are of assistance. Please contact me or Kate Griffiths, ACSI's Executive Manager – Public Policy and Advocacy, should you require any further information on ACSI's position.

Yours faithfully

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[1] Currently 23 of ACSI's 36 members subscribe to ACSI's voting research.

[2] The three funds were selected on a random basis as a representative sample as aligning and comparing nearly 2000 resolutions across the 19 subscribers (at that time) was not practical.