



2 December, 2021

File: OBPR Reference ID 44007

Mr Jason Lange
Executive Director
Office of Best Practice Regulation
Department of the Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600

Dear Mr Lange

REGULATION IMPACT STATEMENT – GREATER TRANSPARENCY OF PROXY ADVICE– SECOND PASS FINAL ASSESSMENT

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for the Government's policy relating to improved regulation of proxy advisers and changes to superannuation fund disclosure of proxy voting activities. I appreciate the OBPR's constructive engagement with the Department on this RIS.

The Final Assessment RIS has been updated to address the comments and suggestions provided by the OBPR in the marked-up version of the First Pass RIS accompanying your letter of 16 November 2021. I am satisfied that the Final Assessment RIS addresses the points for further development raised in your previous correspondence. Specifically:

- Additional information has been provided regarding international experiences with implementing similar reforms, including stakeholder responses;
- Further evidence has been provided to demonstrate the policy problem being addressed, particularly in relation to conflicts of interest in the proxy advice sector and concerns about the quality of proxy advice. This evidence further demonstrates the need for Government intervention;
- The analysis of the suggested options has been expanded to clearly outline the unique objectives of each element, focusing on the distinctions between option 2a and 2b.
 - Further explanation has been provided regarding why proxy advisers are required in option 2b to be independent of their clients but not the companies they advise on, and why the disclosure obligations considered in options 2d and 3c are limited to superannuation funds only.
- Further analysis has been included on the potential impacts of the options, including:
 - more detailed consideration of how proxy advisers may respond to option 2b and the effect these responses may have on the proxy advice sector as a whole,
 - further articulation of the benefits of improved engagement between companies and proxy advisers, and
 - the benefits to super fund members of improved transparency of super fund voting activity.

- Additional details have been included in the 'Main Themes' section of the consultation summary to reflect the range of views on the options elicited through the consultation process.

It is difficult to calculate a quantitative net benefit given significant constraints in valuing the impacts of improved transparency, accountability and market confidence. Overall, the qualitative assessments included in this analysis demonstrate that Option 2 is expected to generate the highest net benefit over the status quo. Promoting confidence in the proxy advice sector will assist in promoting growth in Australia's financial markets.

Accordingly, I am satisfied that the RIS is consistent with the six principles for Australian Government policy makers as specified in the Australian Government Guide to Regulatory Impact Analysis.

Yours sincerely



Robert Jeremenko
Acting Deputy Secretary
Markets Group