

Closing the democratic deficit in superannuation and pensions

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Summary

Proposal:

To allow members to delegate their proxy vote to a value aligned organisation

- The introduction of ESG into Proxy voting has explicitly politicised and delegitimised Proxy voting
 - Current model disenfranchises members, particularly minority groups
 - That the technical challenge to implement this process will be resolved in a few years
 - The money to implement this policy is already available
 - Proxy voting could be more consequential than voting in national elections
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Proxy voting – a source of controversy

- The current model for Proxy voting for Superannuation schemes in Australia is in need of reform
 - Australia: “Greater Transparency of Proxy Advice” (2021) Treasury Paper
 - UK: Updated Stewardship code (2020)
 - Canada: Capital Markets Modernisation Taskforce (CMMT) (2020)
 - US: SEC reform of Proxy voting disclosures (2021)
- Wave of reforms arguably linked to politicisation of Proxy voting caused by the incorporation of ESG frameworks

FINANCIAL REVIEW

Proxy investor advice overhaul all about the politics

Objections to proposal

- Members don't care and shouldn't care
 - Engagement is weak at the best of time
 - Proxy voting is a specialist skill set
 - Irrelevance
 - Proxy voting is largely performative with most resolution passed with 90%+ approval
 - Technical challenge
 - Would require full digital flow through of the proxy voting process
 - Financing
 - How do we pay for this?
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Conclusions

- The current model for Proxy voting for Superannuation schemes in Australia is in need of reform
 - The rise of ESG inputting into Proxy voting has explicitly politicised the process
 - The politization has delegitimised the process
 - The current model disenfranchises members and excludes minority groups
 - Allowing members to transfer their proxy to value aligned organisation is a potential solution
 - Once in place it could re-legitimise the ESG framework
 - The technical challenge is quite close to being solved
 - The money to support and maintain the change is already available
 - It could vivify member engagement
 - In a globalised world Proxy voting could be more consequential voting in national elections
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References

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