AGM INTELLIGENCE

The driving forces behind AGM outcomes

Computershare

Georgeson

AGM INTELLIGENCE

THE DRIVING FORCES BEHIND AGM OUTCOMES

The Australian corporate landscape is changing.

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There is no doubt that the Australian corporate landscape is changing, and with 2019 behind us, we now have the opportunity to reflect on the key issues that impacted Australian listed issuers, namely topics surrounding Environmental, Social and Governance (ESG) issues.

In 2019, activism was alive and well, with 12 issuers across the ASX300 receiving shareholder proposals. Support for these kinds of proposals is only expected to gain momentum in the coming years, with no signs of slowing down.

Executive remuneration, as expected, remained a key focus for investors with the total number of strikes recorded in 2019 increasing to 27, showing that some issuers are still struggling to adequately engage and respond to investor feedback.

Directors were also put under the microscope, with more than 20.0% of votes being cast against their re-elections in many cases. It may only a matter of time before we see directors facing annual elections instead of the traditional 3-year terms, as they already do in the US and UK.

In 2019, our team was trusted to manage 1,039 meetings across Australia, which included AGMs, general and scheme meetings.

Computershare is proud to provide registry services for over 50.0% of the ASX200, meaning we have access to an extensive range of data. This puts us in a unique position to conduct trend analysis and produce commentary that provides value for our clients in benchmarking against the market, while also assisting them to tackle the issues impacting them throughout the year.

We hope you find this year's report insightful and useful in your AGM planning for 2020.

Ann Bowering
CEO Issuer Services
Australia and New Zealand

SNAPSHOT

SHAREHOLDER VOTING BEHAVIOUR

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Shareholder voting and attendance

Percentage of shareholders attending

0.2%
2019

Shareholder attendance has seen a steady decline in recent years and, despite an uplift last year, attendance has again dropped across all indices, falling back to the levels recorded in 2017.

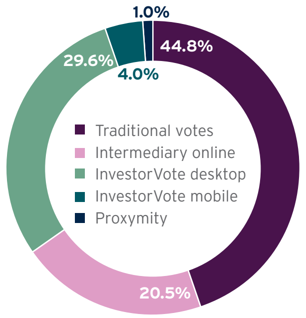
Percentage of shareholders who voted

3.7%
2019

The number of shareholders voting has continued to decrease, dropping to 3.7% in 2019 – the lowest level we have recorded to date.

Traditional vs digital voting

Percentage of votes by channel*



Percentage of votes – desktop vs mobile

81.7%
DESKTOP

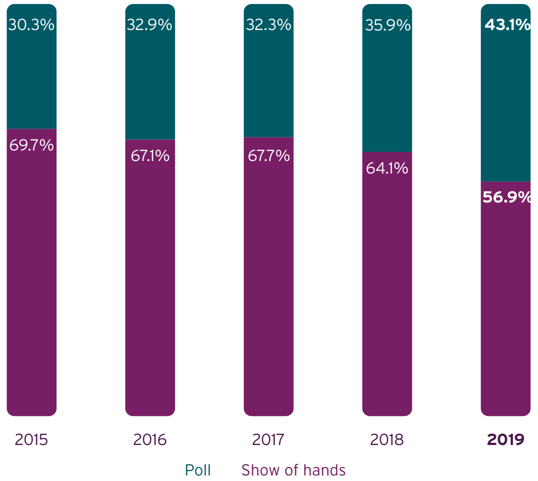
18.3%
MOBILE

The percentage of voting shareholders using digital voting devices continues to grow year on year, and mobile voting is increasing in popularity.

*Proxymity, Intermediary Online and InvestorVote are key tools developed by Computershare to facilitate online voting for AGMs.

Show of hands vs polling

Show of hands vs poll



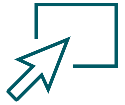
Polling is considered best practice to fairly determine voting results for resolutions because it ensures all shareholder votes are counted in the final result, not just those present at the meeting.

Having risen by almost 13.0% in the last five years, companies in the ASX300 are slowly making the move towards best practice.

Polling is most popular in the ASX50, with 96.4% of issuers prefering to go to a poll, compared to only 32.9% of issuers outside the ASX300.

Direct Voting

Number of meetings offering a direct voting option



12

2019

Percentage of shareholders casting a direct vote

48.0%

2019

Percentage of issued capital voted in meetings offering a direct vote option

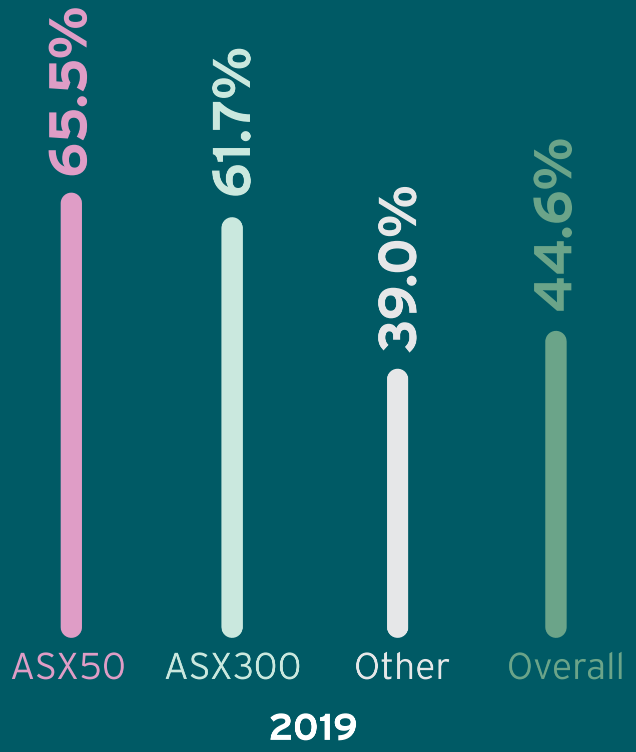
55.0%

2019

Where direct voting is offered, the percentage of shareholders who chose to cast a direct vote rather than appoint a proxy remains steady, following a gradual increase over the last five years. Where a meeting offered direct voting, voted capital rose by 2.0%.

ISSUED CAPITAL VOTED

BY ASX INDEX

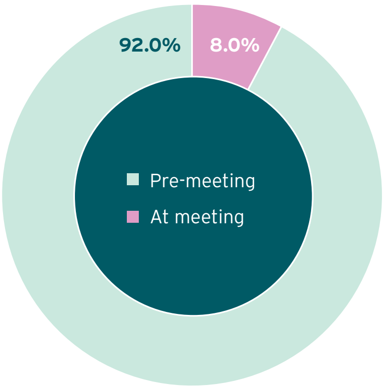


While issued capital voted for the ASX50 continues to increase, across the ASX300 we saw a slight downturn.

For issuers sitting outside the ASX300, issued capital voted has remained consistent, increasing marginally from 38.7% in 2018 to 39.0% in 2019.

Voted capital

When voting occurred



The trend for voted capital remains consistent with the vast majority of voting still occuring prior to meetings.

Employee share plan participant trends

Participants who voted

2.0%
2019

Issued capital voted

5.8%
2019

In 2019, the percentage of issued capital held in employee trust plans that received voting instructions from participants dropped from 8.1% to 5.8%, the lowest amount on record.

STRIKE REPORT

27 issuers received a strike

an increase from 21 in 2018

22

received a first strike and

5

received a second strike

An issuer receives a strike when its remuneration report receives 'against' votes of 25.0% or more.

Only three of the 27 issuers that received a strike were in the ASX50 compared to nine last year. Only one of these three received a second strike.

The lowest number of strikes was recorded in 2017 when 12 issuers received a strike. This year that number has more than doubled to 27.

The table to the right shows the history of strikes since 2014.

Year	Received 1st strike	Received 2nd strike
2019	22	5
2018	21	3
2017	9	3
2016	17	1
2015	15	4
2014	14	1

How remuneration report resolutions in the ASX300 were decided

244
decided by poll

25
decided by show of hands

31
not required to put the remuneration report to shareholders.*

*Issuers included in this group are overseas companies that are not governed by the Corporations Act and trusts.

Level of dissent against the remuneration report (ASX300)*

The highest against vote recorded was 79.6%

Of the issuers that had near misses, 13 received an 'against' vote of between 20.0% and 24.9% on the remuneration report.

There were 156 issuers that received strong shareholder support for their remuneration report. They received less than 5.0% in against votes, a decrease of 5.5% from 2018.

The average against vote for issuers that received a strike was 37.9% compared to 45.8% in 2018.

*31 issuers were not required to put their remuneration report to shareholders.

Issuers receiving a first strike in 2019 (across the ASX300)

How issuers decided their remuneration resolution			
Year	Poll	Show of hands	N/A
2017	9	0	0
2018	21	0	0
2019	22	0	0

All remuneration resolutions were decided via poll.

Out of the issuers that received a first strike, the lowest tally of against votes was 25.6%.

25.6%

the lowest tally of against votes

out of issuers that received a first strike

Issuers facing a second strike in 2019 (across the ASX300)

How issuers decided their remuneration resolution			
Year	Poll	Show of hands	N/A
2017	15	0	2
2018	7	1	1
2019	17	0	4

In 2019, 21 ASX300 issuers were facing the possibility of a second strike. This is in stark comparison to just nine issuers in 2018.

In total, 14 issuers avoided a second strike, recording against votes of between 1.6% and 16.2% on the remuneration report.

The remaining issuers did not hold AGMs in 2019 for various reasons.

Of the five issuers that received a second strike, all recorded against votes between 35.9% and 58.2%.

The five issuers who received a second strike were required to put the spill resolution to the meeting as required by the Corporations Act. Each issuer received less than 50.0% of votes in favour of the spill resolution therefore no issuers were required to hold a spill meeting.

A spill meeting is triggered when the spill resolution receives more than 50.0% of votes in favour, and must be held within 90 days of the AGM.

In 2019, one issuer received 85.6% of votes in favour of their remuneration report, after having recorded a strike every single year since the 'Two Strikes' legislation was introduced in 2011.

There is one issuer that has recorded a strike on their remuneration report every year since 'Two Strikes' was introduced.

ASX50

2 issuers
received a first strike compared to 9 in 2018

1 issuer
received a second strike

Shareholder attendance
to 0.1%

54.0%
of voting occurs digitally

Issued capital voted
to 65.5%

99.0%
of issued capital was voted prior to a meeting

SHAREHOLDER VOTING
3.5%

96.4%
of issuers decided resolutions by poll

ASX300

22 issuers
received a first strike

5 issuers
received a second strike compared to 3 in 2018

Shareholder attendance
to 0.1%

60.0%
of voting occurs digitally

Issued capital voted
to 61.7%

94.7%
of issued capital was voted prior to meetings

SHAREHOLDER VOTING
3.5%

79.8%
of issuers decided resolutions by poll

BEYOND THE ASX300

Shareholder attendance

0.4%

64.0%

of voting occurs digitally

Issued capital voted

39.0%

90.5%

of issued capital was voted prior to meetings

SHAREHOLDER VOTING

4.7%

the lowest rate on record

33.0%

of issuers decided resolutions by poll

What does the future hold?

The topic of hybrid meetings has been a regular talking point for a number of years but, despite the technology being readily available, we are yet to see wide-scale use in the Australian market.

Shareholder advocacy groups have long lobbied for greater AGM accessibility and ASX20 issuers have been touring Australia's capital cities for years in the interest of making AGMs available to their retail shareholders. Hybrid meetings would solve both problems, as well as many more – so why haven't hybrid meetings become the new norm?

Trepidation to be the first to try a hybrid meeting is a real issue for large issuers, especially at such a high-profile event.

On top of this, there is the consensus of 'if it ain't broke, don't fix it', which is understandable. For many issuers, the extra steps required to organise a hybrid AGM can seem a bit daunting, especially during the planning period, when resources are often already spread thin.

It has always been assumed that larger issuers would be the first to adopt hybrid meetings, as they have the most shareholders to reach. But looking at the pain points for all issuers, an argument can be made that smaller issuers have just as much to gain, if not more, in taking their shareholder meetings online.

For a small mining company operating with 10 staff, planning an event like an AGM presents a stark contrast to their day-to-day operations. A virtual meeting could likely be a simple solution for them, reducing the time spent on logistical planning.

AGMs can be a costly exercise: from sourcing a venue, to flying overseas directors in, the list can seem endless. Whilst a hybrid meeting still requires a physical meeting to take place, it does take the focus away from there only being one way for shareholders to access the meeting. If shareholders are encouraged to attend online, perhaps the meeting could be held in an office boardroom, thereby reducing venue costs. If the online option is available, then why can't overseas directors attend online too?

Despite the digitisation of the shareholder/stock market ecosystem over the past 20 years, shareholder meetings still remain the same. A more efficient and cost-effective method stands to benefit all parties and, as our world continues to undergo a digital shift, there is little doubt that eventually legislation will exist to allow virtual meetings, requiring no set location and potentially saving issuers a great deal of effort and reducing costs.

On 1 December 2019, the ASX implemented major Listing Rules reforms following its consultation paper *Simplifying, clarifying and enhancing the integrity and efficiency of the ASX Listing Rules*. Below is a summary of the Listing Rules changes pertaining to meetings.

ASX Listing Rule 3.13.1
Continuous disclosure

In addition to advising the ASX of a meeting date, a company must now also provide the closing date for the receipt of nominations at least five business days before the closing date.

ASX Listing Rule 3.13.2
Continuous disclosure

Changes to this section are proposed to improve the quality and consistency of voting results at meetings of shareholders. Some of the additional information required to be disclosed includes:

1. Stating whether the resolution was passed or not
2. Stating whether the resolution was decided on a show of hands or poll
3. Disclose proxy votes as at proxy close time
4. If a poll was conducted, reveal the results including the percentages of the ‘for’ and ‘against’ votes
5. If a first or second strike has been received on the remuneration report, state the fact
6. If a resolution was proposed in the notice of meeting but not put to the meeting, state the fact and explain why.

ASX Listing Rule 14.1A
Content of notice

New Listing Rule requiring a notice of meeting which contains a resolution seeking approval from shareholders under the Listing Rules must summarise the relevant rule and what will happen if shareholders give, or do not give, approval.

ASX Listing Rule 14.10
Voting by employee incentive schemes

New Listing Rule which covers voting by employees for securities held by or for an employee under an employee incentive scheme. The securities must only be voted if they are held for the benefit of the employee, the employee must give a directed vote and the employee must not be excluded from voting on the resolution.

ASX Listing Rule 14.11
Voting exclusion statement

The wording of the voting exclusion statement has been changed and it now includes a section which allows a beneficiary, registered under a nominee, trustee, custodial or other fiduciary capacity, to provide written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on certain resolutions which have Listing Rule voting exclusions.

The purpose of this change is to remove the need for issuers to apply for the standard waiver to allow nominee, trustee and custodial holders to vote on resolutions where a holder voting exclusion applies.

Prior to the Listing Rule change if an issuer did not apply for an ASX waiver, the total holding of the registered nominee, trustee or custodian was excluded from the vote.

When issuers prepare for their next shareholder meeting, it is important that the notice of meeting references the new ‘voting exclusion statement’ wording.

The removal of the ASX waiver means that issuers and their registry need to review the list of excluded shareholders relating to a Listing Rule resolution to ensure exclusions are applied correctly. As an example, for a resolution requiring ratification of a past issue of shares, the participating shareholders will need to be analysed and if any of the holders own shares in a fiduciary capacity (nominee, trustee or custodial) they should no longer be excluded from voting.

ASX Listing Rule 14.11.1
Persons excluded from voting table

The table showing persons excluded from voting that must be named or described in the notice of meeting has been updated for greater consistency and to give greater certainty as to which parties must have their votes excluded on Listing Rule resolutions.

ASX Listing Rule 15.5
Requirements for documents

When giving a document/announcement to the ASX an entity must now:

1. Include, or have a cover letter that includes, the entity’s name, address and corporate logo
2. The document must be dated
3. Identify the title of the body, or the name and title of the officer, who authorised the announcement to be given to the ASX

ASX Listing Rules Guidance Note 35

The ASX has produced this guidance note specifically for meetings called ‘Security Holder Resolutions’. In the guidance note the ASX is very specific that as a matter of proper governance all Listing Rule resolutions must be decided by a poll rather than a show of hands.

43.1%

of issuers conducted a poll on at least one resolution they put to the meeting.

In line with ASX expectations it is likely that the number of polls conducted will increase in 2020.

Support for shareholder proposals is increasing in Australia.

The Australasian Centre for Corporate Responsibility (ACCR) and Market Forces have escalated their efforts this year by filing numerous shareholder proposals with some of Australia's largest issuers. Twelve issuers across the ASX300 received a shareholder proposal in 2019. The main area of focus was climate change but there were also resolutions filed relating to human rights, workers' rights and indigenous native title.

Most of these resolutions were proposed by ACCR or Market Forces as the agent for numerous retail shareholders. However, resolutions put to the AGMs of a large insurer and a retailer were co-filed by institutional investors, including Australian Ethical Investment, LUCRF Super and Mercy Investment Services.

Support for shareholder proposals is increasing in Australia, particularly among Australian super funds and global index funds. There were three instances of a shareholder proposal receiving more than 20.0% support in 2019. Support is only expected to grow and Australian issuers will continue to be targeted by groups such as ACCR and Market Forces, as well as the institutional investors that sit on their registers.

This growth in issuers receiving shareholder resolutions is in line with trends observed in the United States and Europe. In some cases overseas, boards are recommending in favour of shareholder proposals, in part due to the expectation that the resolution will pass regardless of the board's recommendation. There is little doubt that in the coming years we could see Australian issuers choosing to follow suit.

KEY TAKEAWAYS

- Identify any activists who are currently invested in your organisation
- If you receive a shareholder proposal, engage early with the proponent to increase your chances of a favourable outcome
- Provide detailed disclosures relating to your organisation's response to any shareholder proposal in your notice of meeting
- Engage with your investors well ahead of your AGM to ascertain the support the proposal is expected to receive

CLIMATE CHANGE

ISSUES

There is a heightened focus on ESG and the role issuers play in creating and preserving a sustainable future. The UN Principles for Responsible Investment now has over 500 asset owner signatories who have a combined US$90 trillion in assets under management. This includes the global index funds and over 40 Australian asset owners.

Issuers, who are active participants in the transition to a low carbon future, are being pressed for answers by investors about climate change and what threat it poses to 'business as usual'.

The spotlight is firmly on Australia following the devastating bushfire emergency over the 2019-20 summer. According to the Bureau of Meteorology, 2019 was Australia's hottest year on record and the first time an annual anomaly was two degrees above the average. Rural areas across Australia burned resulting in tragic loss of life and significant damage with thousands of properties destroyed. Air quality in Sydney, Melbourne and Canberra was at dangerous levels for extended periods of time.

According to UBS, ASX-listed stocks with exposure to the retail, insurance, tourism, transport, food and beverage sectors are likely to experience negative effects. This is directly as a result of the bushfires, the associated downturn in Australia's consumer confidence and our desirability as a holiday destination to overseas visitors.

Investors are addressing climate risk in their portfolios by engaging with issuers, supporting climate-related resolutions at AGMs or even voting with their feet by divesting 'risky' investments. To attract and retain capital, issuers must demonstrate their understanding of risk and detail the steps taken to mitigate these risks – climate change included.

Of the 12 ASX300 constituents that received a shareholder proposal in 2019, nine received climate-related resolutions which either demanded enhanced disclosure or firmer commitments to mitigation. Although activists are targeting emitters and their financiers, it is clear climate risk is far-reaching across the economy. Issuers need to demonstrate their readiness for what the future may hold and address the concerns of their long-term investors.

KEY TAKEAWAYS

- As you would with any other potential risk, assess what risk climate change poses to you
- Speak to your investors about risk, ESG-aligned investors may have different areas of focus to those simply seeking share price growth
- Disclose your risks and what you're doing about them
- Consider reporting against the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations
- Engage with ESG organisations such as Climate Action 100+ and the CDP

Data source: CGI Glass Lewis

ISSUES

EXECUTIVE REMUNERATION

Remuneration continues to be a topic of contention for investors with 27 issuers in the ASX300 receiving a strike in 2019. This includes five second strikes which triggered a spill resolution, none of which were passed. The number of strikes is up from 24 in 2018 reflecting that issuers are being rebuked for any disconnect between pay and performance, high pay relative to peers, or pay structures which aren't seen to be sufficiently challenging. Investors are also seeking greater transparency of non-financial measures and how they impact remuneration of executives.

While much of the focus is on the remuneration report, investors are also voting on equity grants to executives. These grants often take the form of performance rights that convert into ordinary shares after performance and tenure hurdles are met. Even where it is not required under ASX Listing Rules, it is seen as good governance to put these grants to a shareholder vote. Issuers that seek shareholder approval for these grants could effectively be providing an outlet for investors to express dissatisfaction with a long-term incentive plan, rather than forcing investors to vote down the entire remuneration report.

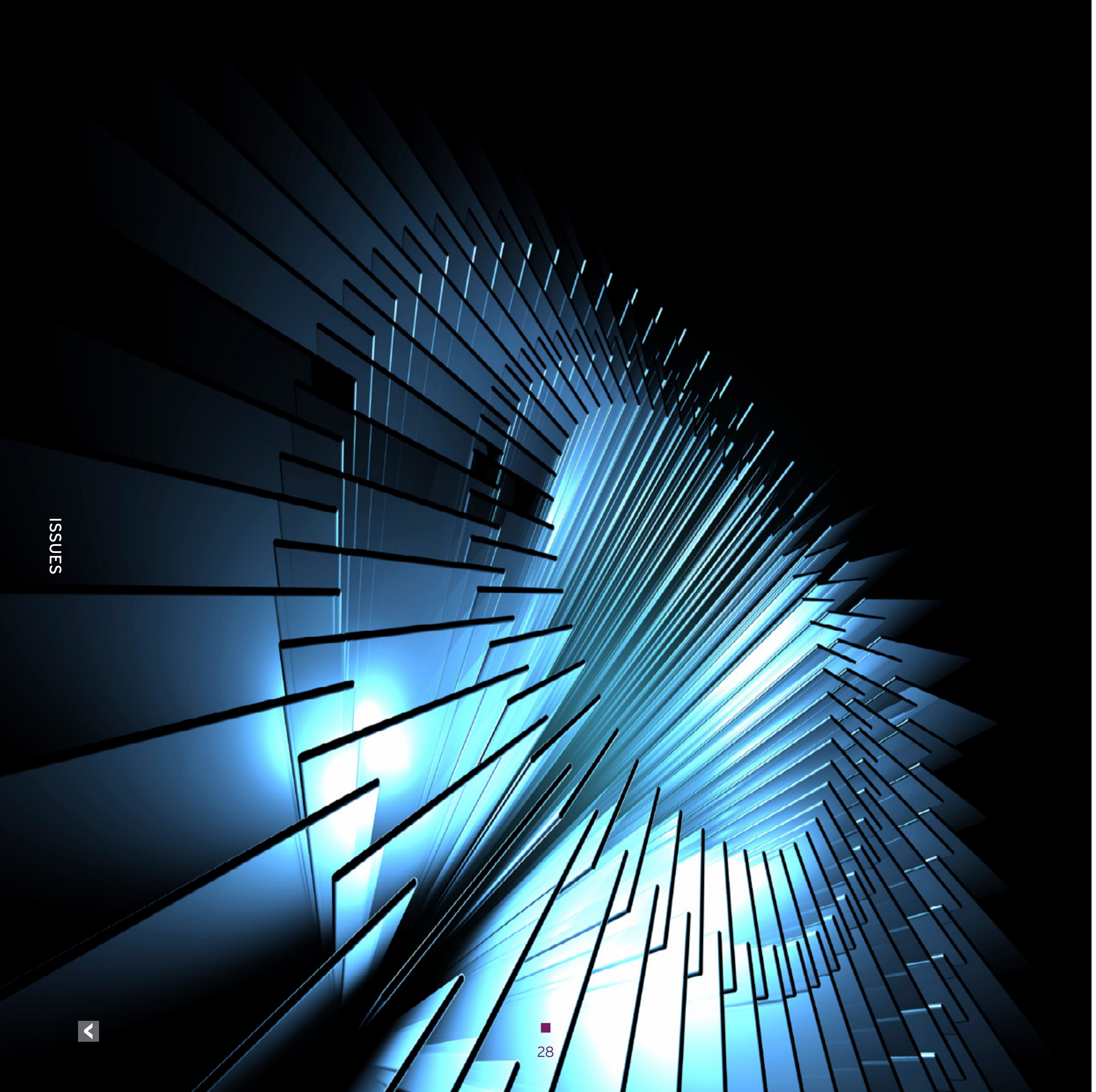
Equity grants are not without scrutiny. Grants at 20 issuers in the ASX300 received more than 20.0% of votes against during 2019, including two that failed to pass. This is slightly down on the 21 issuers in 2018. Average support for grants was up in 2019 with resolutions receiving an average of 94.0% support versus 92.9% in 2018. This excludes grants which were withdrawn prior to the AGM for resignations or due to a lack of support.

The number of issuers deciding the remuneration report via poll is expected to increase in 2020 as a result of the ASX requiring all Listing Rules resolutions to be put to a poll from 1 December 2019 (despite the remuneration report falling under the Corporations Act.)

KEY TAKEAWAYS

- Adequately disclose your remuneration structure and link it to your strategy. Is it fit for purpose? Is it driving the right behaviours?
- Help your investors understand why by providing the narrative, not just the numbers
- Consult investors and proxy advisors when formulating your remuneration structure
- Allow shareholders to vote on any long-term incentive grants

Data source: CGI Glass Lewis



DIRECTOR ACCOUNTABILITY

Directors are facing unprecedented scrutiny following many high-profile cases that were uncovered by the Hayne Royal Commission, AUSTRAC, the media or were self-reported. Many executives have either resigned, been terminated or have had their pay cut as a result.

Investors and proxy advisors also expect that non-executive directors are held to account for perceived failures. Investors are dissenting at the AGMs of issuers where these failures occurred, but personal accountability is also being assigned to individuals and they are being targeted by investors at other organisations where they hold board positions.

Following the Hayne Royal Commission, directors are expected to have a greater grasp on company culture including the setting, monitoring and articulation of it. As non-executives, directors may have limited ability to influence culture, but this expectation highlights the ever-expanding role of directors.

Public controversies aside, investors and proxy advisors continue to assess the structure of boards, including independence and diversity, and vote against individuals based on the composition of the entire board. The workloads of individual directors are also assessed to ensure they are not 'overcommitted'.

As part of the campaign for greater accountability, annual director elections are being sought by ACSI and State Street Global Advisors, among others. Already the norm in the US and UK, this would see directors face the ballot box at each AGM instead of the usual three-year term.

Proponents for annual elections say this promotes greater accountability including ensuring chairs of nomination and remuneration committees can be held to account for a lack of diversity or misaligned pay outcomes. Detractors say directors could be punished for short term 'failures' which may prove successful over the medium to long-term.

Average support for issuer-endorsed directors in 2019 was 95.3%, slightly down on the 95.5% support in 2018. Excluding withdrawn elections, there were 42 director elections that attracted more than 20.0% of votes against in 2019, including one endorsed director who failed to be re-elected. This is broadly in line with 2018 when 45 directors received more than 20.0% against.

KEY TAKEAWAYS

- Assess the independence of your board. Are the interests of all shareholders protected?
- How diverse is your board? Think ethnicity, gender, age, skills, geography
- Consider the tenure of directors. Is director succession going to plan? Have you disclosed your succession plan to the market?
- The ASX Corporate Governance Council recommends issuers disclose a board skills matrix, which is an opportunity for you to demonstrate the skills of your board and articulate succession planning

Data source: CGI Glass Lewis

CHALLENGES IN THE WORLD OF PROXY VOTING

Proxy voting continues to be a complex process which presents challenges at AGM time. Although many voting platforms seek to simplify the process for institutional investors, issuers are still faced with a delay in knowing how votes are tracking, leaving little time to address investor concerns.

There are often many layers of custodians and nominees between the registered holder and the ultimate decision-maker. This causes a delay in confirming a change of vote and, to ensure instructions are executed as intended and on time, intermediaries must impose earlier deadlines, meaning investors often only have a short time to vote. Custodians then lodge all votes received just before the proxy voting deadline, which is usually too late for issuers to influence the outcome should the results not be in line with expectations.

Computershare and Georgeson offer a range of services including vote tracking which provides granular detail of votes submitted by underlying holders to all major local and global custodians. Utilising these services helps you avoid surprises and offers you the opportunity to engage with investors about their votes before voting closes.

Over-voting

Over-voting occurs when more securities are instructed to be voted than the actual number of securities held by a registered member.

In 2019, 17 cases of over-voting were recorded on the over-vote register compared to 33 in 2018. A possible reason for the decline of over-vote positions could be due to custodians and institutions better managing share movements of the sub-accounts they oversee.

Year	Over-Vote Instances	Number of Issuers
2016	54	37
2017	57	46
2018	33	24
2019	17	14

Though rare, under-voting can also occur where expected votes do not materialise. By engaging in vote tracking and monitoring custodian lodgements to the registry, an under-vote can be picked up and addressed to ensure all support is counted in the final result.

The largest over-vote position received was almost 116 million votes over the registered holding. If the over-vote position had not been rectified it would have caused approximately 963 million shares to not be voted. This represented 29.1% of the voted capital.

In another scenario, an over-vote of just 663 votes would have affected the recording of approximately 12.6 million shares.

KEY TAKEAWAYS

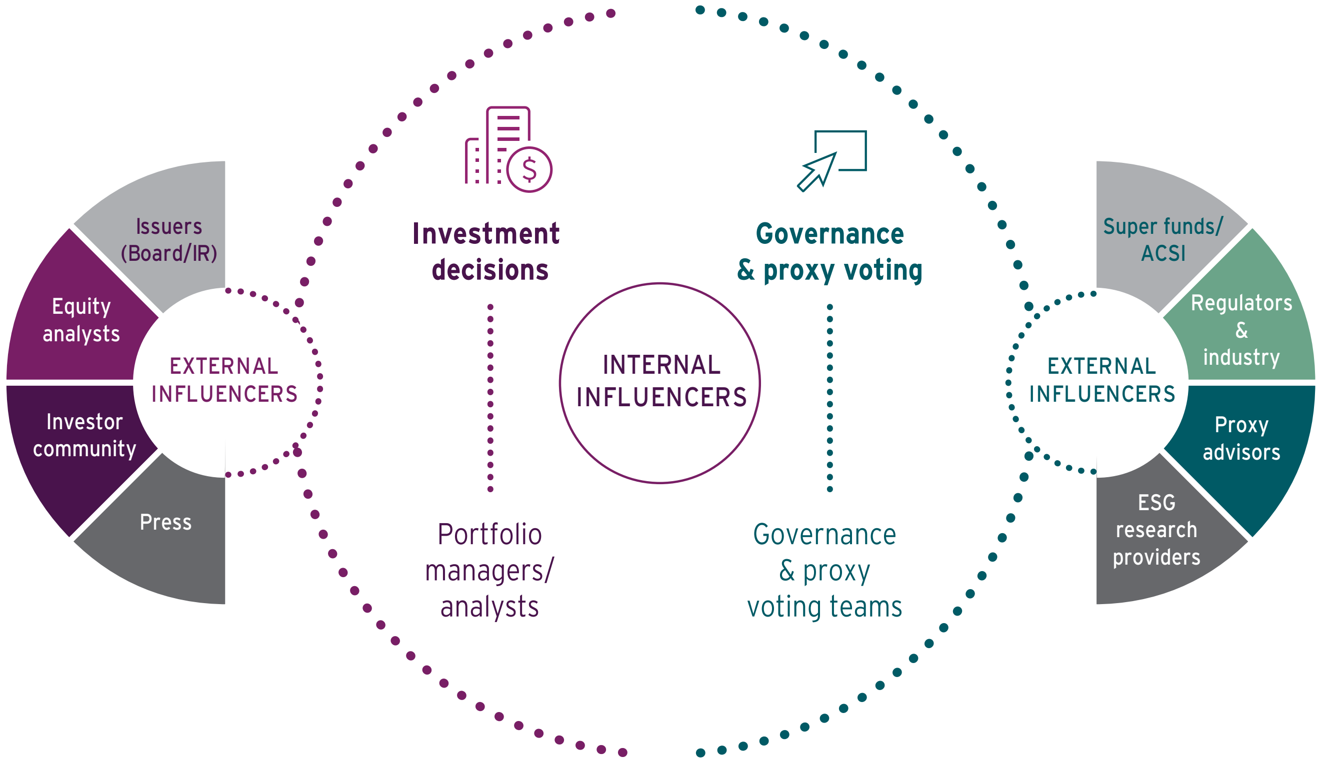
- Understand your underlying beneficial owners and remove the risk of surprises
- Monitor custodian lodgements to ensure there are no over-votes or under-votes

LEADING INDUSTRY TECHNOLOGY AND SERVICES TO HELP YOU MANAGE PROXY VOTING

- **ProxyWatch**
  Giving issuers timely access to progressive proxy voting data
- **Georgeson**
  Tracking vote progress, allowing adequate time to take action if investors have voted against the Board's recommendation, either deliberately or by accident, or have failed to vote altogether
- **Proxymity**
  Enabling issuers and investors to connect digitally, making the proxy voting process more accurate and transparent
- **Intermediary Online**
  Designed to suit the changing needs of intermediaries and help manage over-voting

ISSUES

It is crucial that you build relationships with both the people buying your shares and those who are voting at your AGM.



Ten years ago most portfolio managers weren't concerned with matters surrounding corporate governance and superannuation funds hadn't taken control of their voting rights. So, the key players were few, and the effort required to answer their questions was manageable.

Now, portfolio managers have dedicated teams of ESG specialists, and more superannuation funds are choosing to take control of their voting, meaning the landscape is more convoluted than ever. The diagram above shows the various external influencers who have an impact on investment decisions and AGM voting, which comes in addition to an investor's own research.

It is crucial that you build relationships with both the people buying your shares and those who are voting at your AGM. Sometimes these are one and the same, but many funds now have dedicated stewardship and governance teams which add a layer of complexity to the equation. Each one of these stakeholders takes a different approach, has differing priorities and, as shown on the previous page, is influenced by different factors. Regardless, you must ensure you regularly engage with all of them.

Managing each of these influencers effectively and engaging regularly can be challenging. But to ensure you're maximising support at your AGM, it's non-negotiable. Most issuers embark on investor roadshows at least twice a year to discuss financial performance and plans for the future. This is an important function which helps to retain and attract capital investment.

An emerging trend is the use of governance roadshows undertaken by non-executive directors. These roadshows will incorporate index funds, superannuation funds, quantitative funds and proxy advisors, who are not usually part of a traditional roadshow but will still vote at the AGM. Furthermore, these investors have little, if any, input into decisions to buy and sell shares, shifting the focus from financials to corporate governance.

When you accurately assess the voting authority of your investors, it often results in a vastly different list than that seen in share register analysis reports. This exercise typically reveals the underlying beneficial owners who have significant influence over the final AGM result. Engaging with the beneficial owners as part of the governance roadshow and in the lead up to the AGM is imperative in securing a positive result.

KEY TAKEAWAYS

- Know who is voting your shares. Not just who has bought them
- Enhance your public disclosure to ensure it meets the expectations of investors and proxy advisors
- Don't assume strong financial performance will automatically deliver a positive AGM result
- Don't wait until your financial results are released or until just before your AGM to engage; maximise support by engaging regularly throughout the year
- Make sure to include ESG-conscious investors such as index funds and superannuation funds as part of your investor relations program

THE ROLE OF PROXY ADVISORS

There are four main proxy advisors publishing voting recommendations for their clients prior to the AGMs of Australian issuers.

Their clients include most Australian and offshore fund managers, index funds, superannuation funds, offshore pension funds and quantitative funds. All of these shareholders are influenced by the proxy advisors to varying degrees. Some completely outsource their vote decisions and others use it as information to support their own internal research.

Meeting regularly with the proxy advisors to discuss the governance issues that they are focused on is an important step in securing a positive outcome at your AGM. Their key areas of focus are outlined in their policies and are developed in consultation with their clients – your investors.

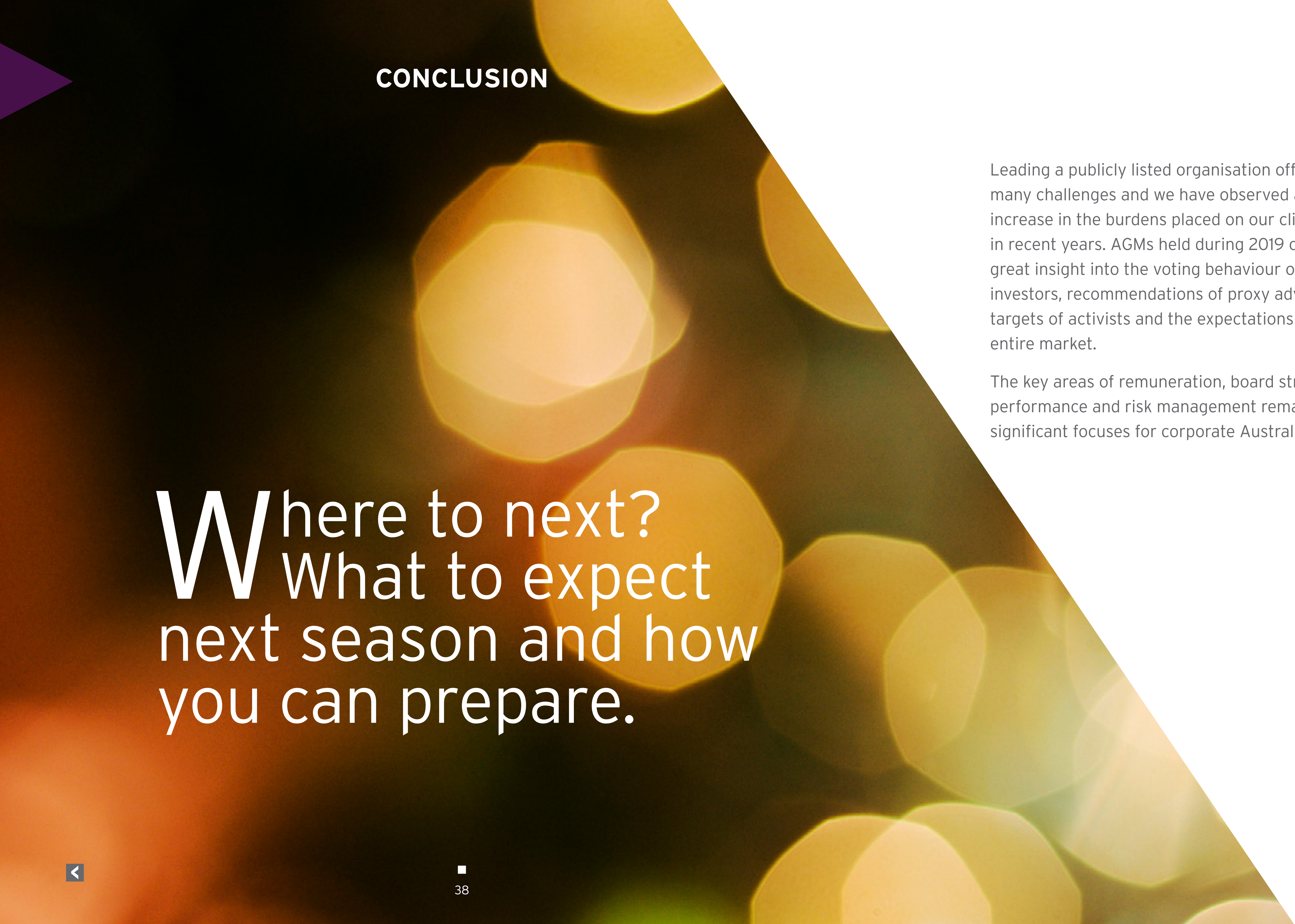
Areas of focus:

- **Remuneration** – quantum, structure, links to financial performance
- **Board** – independence, diversity, skills, succession
- **Performance** – accountability, culture, over-boarding
- **Risk management** – climate change, human capital, supply chain, workers' rights

KEY TAKEAWAYS

- Understand how much influence proxy advisors have on your register
- Meet with the proxy advisors to discuss what you are doing in relation to corporate governance; answer the hard questions and address their concerns well before their reports are published
- Both ISS and CGI Glass Lewis have periods of no engagement in the lead up to AGM season so make sure to engage outside the peak periods
- ISS and CGI Glass Lewis will also publish a report about issuers outside the ASX300 (providing some of their clients hold shares in those issuers)

THE FOUR MAIN PROXY ADVISORS



Where to next? What to expect next season and how you can prepare.

Leading a publicly listed organisation offers many challenges and we have observed an increase in the burdens placed on our clients in recent years. AGMs held during 2019 offered great insight into the voting behaviour of investors, recommendations of proxy advisors, targets of activists and the expectations of the entire market.

The key areas of remuneration, board structure, performance and risk management remain significant focuses for corporate Australia.

As we have observed in 2019, organisations that fail to properly structure their practices in these areas will be admonished by investors. Furthermore, those that do not adequately disclose in these areas will suffer the same fate.

Expect 2020 to deliver similar outcomes driven by a heightened expectation that organisations are doing the right thing by shareholders but also employees, regulators, civil society and the environment.

Much has been written recently about the ethos of organisations and how the Friedman doctrine of shareholder primacy is eroding. The investment community will continue to prosecute a case of sustainable returns for the betterment of shareholders and society at large. We will see this in many areas but none more so than climate change.

Computershare and Georgeson are the partners you should trust to help you navigate the changing and ever-expanding demands of being a publicly listed organisation.

About Computershare Investor Services

Computershare Investor Services encompasses a broad portfolio of products and services that cover an extensive range of financial markets across every major region. Register Maintenance and Corporate Actions are at the core of our business. We offer global coverage and deep expertise in international markets, to guide our clients through highly complex transactions.

For more information, visit www.computershare.com/au

About Georgeson — a Computershare company

Established in 1935, Georgeson is the world's original and foremost provider of strategic services to corporations and investors working to influence corporate strategy. We offer unsurpassed advice and representation for annual meetings, mergers and acquisitions, proxy contests and other extraordinary transactions. Our local presence and global footprint allow us to analyse and mitigate operational risk associated with various corporate actions worldwide.

For more information, visit www.georgeson.com/au

The content of this report is intended to provide a general overview of the relevant subject matter and does not constitute legal advice. It is important that you seek independent legal advice on all matters relating to your AGM, compliance with the ASX Listing Rules and other applicable legal and regulatory requirements.

Unless stated otherwise, the content of this report is based on data relating to Computershare's ASX listed issuer clients and does not relate to all ASX listed issuers.