

Meetings Season Overview

2009

The upheaval of the global financial crisis was strongly tipped to be a defining moment for investor engagement during the 2009 company meetings season. Computershare analysed the 2009 meetings¹ season to gain insight into voting trends in Australia.

¹ Computershare clients only

Introduction

In recent years the conduct of securityholder meetings has evolved for many companies. The introduction of direct voting has given securityholders full control over their votes while the adoption of new technologies, such as online voting, the use of personalised URLs (pURLs²) and IML handheld keypads, has provided securityholders with more convenient options to interact with issuers.

In the aftermath of the global financial crisis there has been a greater focus on corporate governance, particularly with respect to executive remuneration, and as such many experts anticipated a higher than normal level of securityholder participation at Annual General Meetings (AGM) in 2009.

However, only 8% of securityholders voted at company meetings in 2009³, representing 43% of the total securities on issue for Computershare-managed listed entities. As the majority of votes were from the large institutional securityholders, this showed how little engagement retail securityholders had with the companies they invested in. Results from another recent survey⁴ found that many retail securityholders chose not to vote because they felt powerless and believed that the outcomes were largely directed by large institutional securityholders.

If companies want to encourage greater securityholder engagement they should reinforce the importance of voting and provide a range of channels to make it as easy as possible for them to do so.

Voting channel

While the majority of investors still use traditional post to vote, more securityholders are choosing to vote online. During the 2009 meeting season 15.5% of securityholders who voted used online voting, which is almost 50% more than the previous year.

We believe the substantial increase in online voting is a result of two initiatives. First, in 2009 Computershare's InvestorVote online voting service was relaunched with a new look and feel, which made it easier for securityholders to navigate and use. In addition to voting tools, InvestorVote hosts electronic documents, making it simple for securityholders to access online annual reports and other important documentation within the one site. Second, the adoption of pURL based emails made it simple and convenient for securityholders to vote.



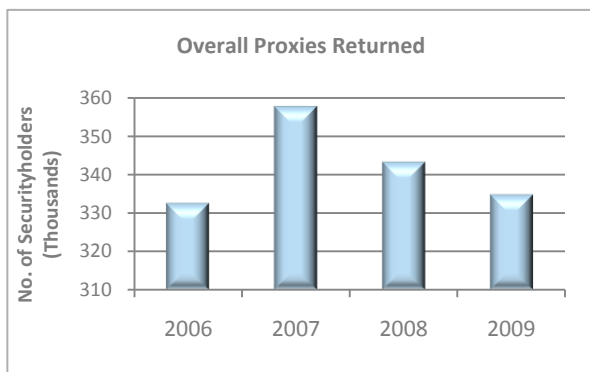
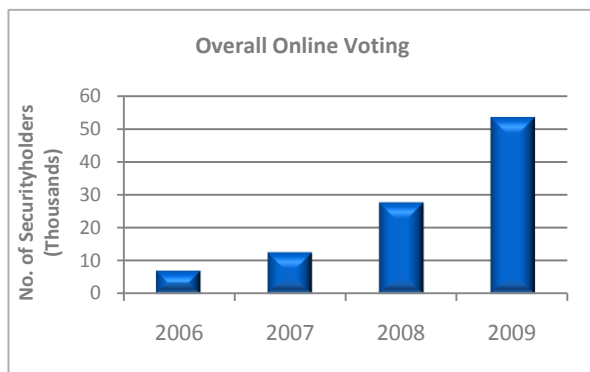
² A pURL is a convenient method of linking the securityholder directly with specific information. In this instance Computershare securely encrypts the SRN or HIN into the URL, making it simple for the investor to access their information.

³ Computershare clients only

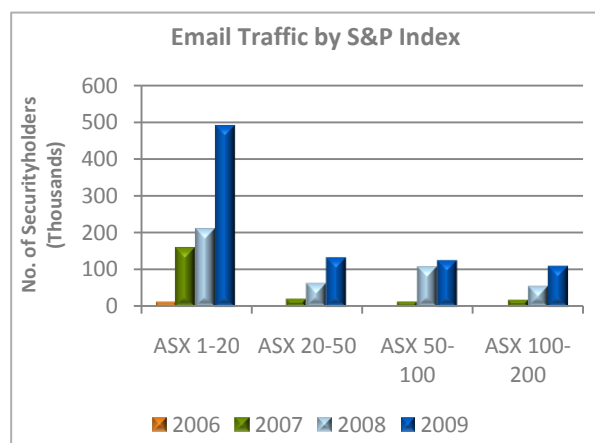
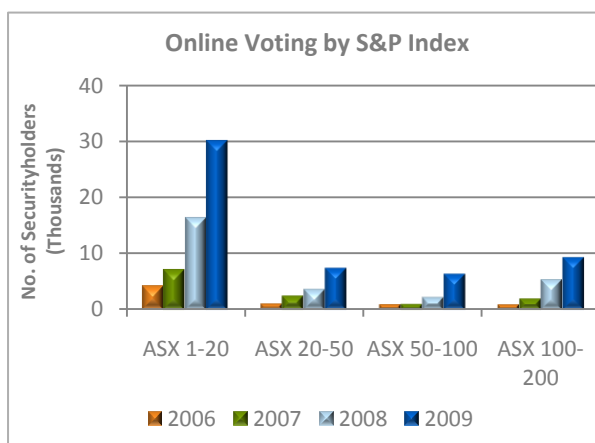
⁴ AGM Voting Intention and Behaviour survey (August 2009) conducted by Computershare on 1,760 securityholder respondents

In 2009 there was a significant change in the voting behaviour of institutional securityholders. Utilising Computershare’s Intermediary Online service institutional investors transitioned from sending faxes to voting online, with confirmed receipt of the vote intention a key benefit. With over 500 meetings available for Intermediary Online voting last year, more than 700 votes were received, representing a significant percentage of issued capital via this channel.

It is interesting to note that while the online voting trend has increased over the last four years, the number of proxy votes returned has decreased by 6.4% over the same period. We expect the number of online votes will continue to rise as the internet becomes the preferred communication channel of many securityholders. Thus, it is important that companies offer and promote this option to their securityholders, as well as making it the primary voting channel for their meetings, which is what the redesigned proxy form does by making the InvestorVote Web reference its focus.



The number of Computershare-managed companies that offered online voting has increased from 181 companies in 2008 to 280 companies in 2009. When segmenting the ASX Top 100 companies into the following groups – ASX 1-20, ASX 20-50 and ASX 50-100 – the take up rate of online voting increased across all groups, which was consistent with the increase in the number of securityholders who opted to receive their Notice of Meeting electronically. We therefore see the increase in e-communications elections a likely driver of online voting.

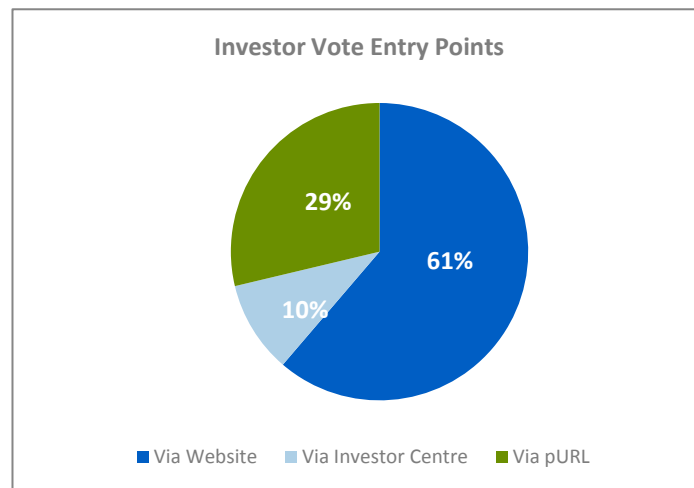


We further analysed the relationship between the take up rate of online voting and the size of a company’s market capitalisation among the ASX Top 200 companies. The results are shown in the table below. What we found was a gradual increase in online voting use as market cap got smaller, but not to a significant degree. In fact, the figures were fairly consistent even with the remaining companies outside the ASX200, which averaged 14.7% in online voting behaviour.

S&P Index	Uptake of Online Voting
ASX 1-20	15%
ASX 20-50	15.9%
ASX 50-100	16.6%
ASX 100-200	20.3%
Outside ASX 200	14.7%

Securityholders can access InvestorVote via three entry points:

- directly at the InvestorVote website (www.investorvote.com.au)
- via a personalised URL (pURL) from an email broadcast
- via Investor Centre (www.investorcentre.com)



When we analysed the online votes, 61% were cast by securityholders going directly to the [InvestorVote](http://www.investorvote.com.au) website, 29% via a pURL from an email broadcast and the remaining 10% via Investor Centre.

Although the majority of online votes came directly from the InvestorVote website (where the web address is keyed from the proxy form), significantly more companies are now utilising pURLs, as they provide convenient access and improved usability for securityholders. When accessing via a pURL, securityholders do not need to enter a SRN or HIN, they simply verify themselves by entering their postcode. In fact, our analysis shows that where companies utilised pURLs for their e-communications, they received higher participation (16.7%) compared with those that did not include pURLs (14.1%).

Resolution outcomes

High profile issues that arose during the global financial crisis included remuneration reports and the election or re-election of directors. Given the expected backlash from retail investors it was somewhat surprising that there was little opposition from securityholders in the ASX Top 200 companies.

Across all Computershare’s clients, 96% had majority support for their remuneration reports. In terms of the election/re-election of directors, the result was similar with 97% of companies receiving majority support.

When we grouped the companies by the S&P Index, the results of these resolutions were a little more varied, as shown in Table 1.

Table 1: The percentage of companies that received majority of votes in support to the resolution(s)

S&P Index	Remuneration Report	Election / Re-election of Directors
ASX 1-20	100%	93.2%
ASX 20-50	93.8%	94.9%
ASX 50-100	96.7%	100%
ASX 100-200	89.1%	95.2%
Outside ASX 200	100%	100%
Average across all Computershare clients	95.9%	96.6%

Direct voting

Direct voting provides securityholders with certainty over their voting intentions, as their votes are directly submitted to the issuer rather than appointing a proxy.

In 2009 we saw more companies adopt direct voting in a bid to encourage improved engagement with retail investors. Among the ten companies that offered direct voting, 39% of securityholders cast a direct vote rather than appointing a proxy. This suggests many securityholders prefer the independence of direct voting to the appointment of a proxy.

Computershare believes that the voice of the retail securityholder is likely to increase as more companies offer direct voting.

Conclusion

It is clear that the fallout from the global financial crisis failed to make an impact on voting intentions and behaviour in the 2009 meetings season, particularly among retail investors. While industry experts predicted a groundswell of negative investor sentiment at Annual General Meetings, the eventual result was tepid at best, with a decrease in the number of actual votes cast compared with the previous year.

This report highlights the two key trends of securityholder voting behaviour from the 2009 meetings season. Online voting has been on the rise since 2006 and we believe it will continue to grow as more securityholders recognise the convenience of this channel. However, we recommend companies consider offering pURLs with their email broadcasts to maximise online voting by making it as simple as possible for securityholders to cast their vote. Computershare is also lobbying for amendments to the Corporations Act to allow for Interactive Voice Response (IVR) voting. We believe IVR voting could attain similar results to online voting.

Direct voting, although still a relatively new concept, gives securityholders full control over their votes. When given the option of casting a direct vote over appointing a proxy, a significant number of securityholders chose the direct vote option. As the awareness of direct voting increases, companies that have amended their constitution to allow for direct voting should consider offering it at their next meeting.

Looking forward, Computershare recommends three key tactics to encourage greater retail securityholder participation at annual general meetings:

1. Embrace an e-communications strategy to drive online voting
2. Utilise pURLs with email broadcasts
3. Adopt direct voting