



4 December 2017

Kevin Lewis
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ASX
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Dear Kevin

Standardised disclosure of voting results at general meetings

The Australian Shareholders' Association (ASA) represents its members to promote and safeguard their interests in the Australian equity capital markets. The ASA is an independent not-for-profit organisation funded by and operating in the interests of its members, primarily individual and retail investors, self-managed superannuation fund (SMSF) trustees and investors generally seeking ASA's representation and support. ASA also represents those investors and shareholders who are not members, but follow the ASA through various means, as our relevance extends to the broader investor community.

ASA is seeking reform of the ASX Listing Rules to provide for standardised disclosure of proxy and direct voting results at general meetings of listed companies.

Background to reform proposal

At present, public listed companies all use different formats for disclosure of voting at general meetings. At times it can be challenging to ascertain the voting results, given the range of disclosure formats in place. Many companies use a template that they have had in place for many years, and that has not necessarily been subject to question as to whether it provides the best form of transparency to investors as to voting results.

The ASA has also seen a number of instances where the disclosure formats currently utilised obscure clarity as to voting results, rather than providing transparency. Our proposal for reform is aimed at ensuring there is transparency of voting results, in order to ascertain and recognise the will of all shareholders on all resolutions.

Proposal for reform

The overall proxy and direct vote position on each resolution should be disclosed, showing:

- how many and percentage of shareholders have voted "for"
- how many and percentage of shareholders voted "against"
- how many and percentage of shareholders voted "open"

- how many and percentage of shareholders voted “abstain”
- the undirected proxies held by the chairman
- the undirected proxies held by the ASA
- the undirected proxies held by proxy collectors other than the chairman and the ASA
- whether or not a “first” or “second” strike occurred.

The proposal for reform ensures that the voting outcome is disclosed by votes and voters. It also provides transparency as to how “open” proxies are voted, as well as whether a remuneration report received 25% or more votes “against”.

Below we provide a number of examples of how the different formats currently utilised obscure voting results rather than providing transparency to investors.

ASA’s proposal for reform is aimed at ensuring transparency as to the exercise of a key shareholder right.

Examples of poor disclosure of voting results

“Open” proxies

Many companies do not disclose proxies given to the chairman in a “chairman’s proxy discretion” column, but include them in the “for” and “against” columns. It is important to ascertain how many open proxies were held by the chairman, given how important these open proxies may have been in determining the outcome of the vote, particularly on any contentious resolution.

From the company’s point of view, “open” proxies directed to the chairman also represents a vote of confidence in the board on the part of shareholders, which should be disclosed.

Equally important is to have transparency as to how many open proxies were held by other proxy collectors, such as the ASA. The open proxies held by the ASA or other proxy collectors also reflect shareholder sentiment, and voting results should provide evidence of this.

Voting on a poll or by a show of hands

Determining whether the vote on resolutions, including the remuneration report, was carried out by a poll or a show of hands at the meeting is not always immediately apparent. There have been instances of disclosures of proxy voting only, which would seem to indicate that voting was held on a show of hands. However, in various instances (see Ardent and Harvey Norman in 2016), voting on a poll was conducted at the general meeting, despite voting results on the ASX announcements platform disclosing proxy votes only.

Some disclosures which fail to indicate whether or not there was a poll show a percentage without the numbers “for” or “against”. If a company has held a poll there should be two sets of figures relating to voting on the resolution: one will be the proxy voting (received prior to the meeting) and the second will be the voting on the poll held at the meeting.

Disclosures should always show both proxy voting and voting on a poll results.

ASA is strongly of the view that at voting should not be held on a show of hands, given that the shareholders present at the general meeting represent a tiny portion of the total shareholders. A poll reflects the wishes of shareholders present at the meeting as well as those shareholders who have lodged proxies. Deciding the vote on resolutions by poll provides transparency and preserves the integrity of the voting. ASA accepts that mandating voting on a poll requires reform of the Corporations Act and is not a matter for the ASX Listing Rules.

We also note that the results of direct voting need to be accommodated, and this can only be done by showing the results of a poll.

Disclosure of a “first” or “second” strike

Many voting results disclosures carry a description of a vote of between 25% and 50% against a remuneration report as “passed” or “carried”, given that carriage of an ordinary resolution requires a 50% vote in favour. However, while the resolution on the remuneration report is an ordinary resolution, a vote of 25% or more “against” a remuneration report means that a first strike has occurred.

Most companies will not expressly disclose that a first or second strike has taken place, with investors having to decipher this from the numbers. Disclosure of whether a strike has occurred should form part of transparent disclosure. It is also irrelevant to disclose that the resolution was ‘carried’ where more than 50% vote in favour of the remuneration report and so this disclosure should be discouraged.

Description of resolution

The voting results of the meeting in some instances do not describe each resolution, but simply number them. This requires investors to return to the notice of meeting to determine how voting proceeded on various resolutions, including the remuneration report resolution.

Transparency as to which resolution achieved which voting result should be a key aspect of voting disclosure.

Ease of access to voting results on ASX announcements platform

At times it can be challenging to find the voting results of general meetings on the ASX announcements platform. In the majority of cases, companies title the announcement “results of meeting” or similar, but this practice is not universal. This therefore means that investors are required to check the notice of meeting and the date of the general meeting and then review announcements for the company made on or just after that date to find the results of voting.

Investors should be able to find the result of voting at general meetings easily on the ASX announcements platform, without having to cross-check other documentation.

Standardised voting results should appear on a template issued by ASX with the heading “Voting results of meeting” so that they can be found easily by investors.

Conclusion

ASA’s reform proposal is designed to provide transparency to the market as to the outcome of voting at all general meetings. The Australian Supreme Court has set a precedent that the outcome of a shareholder vote must be truly representative of the collective will of shareholders.

Transparency of voting results through standardised disclosure ensures that the collective will of shareholders is readily apparent and accessible.

The ASA provides a template on the following page for such standardised disclosure.

ASA notes that it is a shareholder right to appoint someone other than the chairman as their proxy and that other parties collect undirected proxy votes. The shareholder in these instances has elected to transfer their right to attend and vote to the other party.

The ASA is a collector of proxy votes. At other meetings, there are other parties collecting proxies. Greater transparency would be afforded to shareholders if the voting results included not only information on the votes exercised at the chairman's discretion but also those votes exercised at ASA's or other proxy collector's discretion.

While we have not included such columns in our template, the ASA recommends that consideration be given to including two further columns as follows:

- number and percentage of votes exercised at ASA's discretion
- number and percentage of votes exercised at other proxy collector's discretion.

Should you have any queries, please do not hesitate to contact me.

Kind regards

A handwritten signature in black ink, appearing to be 'J Fox', with a long horizontal stroke extending to the right.

Judith Fox

Chief Executive Officer



Standardised disclosure of voting results

Voting results

The following information is provided in accordance with section 251AA(2) of the *Corporations Act 2001* (Cth). The details of proxy votes received and the actual votes cast on each resolution put to a poll are set out below.

Resolution details		Instructions given to validly appointed proxies (as at proxy close)				Number of votes cast on the poll			Resolution result
Resolution	Resolution type	For	Against	Chair's proxy discretion	Abstain*	For	Against	Abstain*	Carried/Not Carried
1: Election of director A	Ordinary resolution	No. %	No. %	No. %	No. %	No. %	No. %	No.	Carried/Not Carried
2: Re-election of director B	Ordinary resolution	No. %	No. %	No. %	No. %	No. %	No. %	No.	Carried/Not Carried
3: Issue of incentive rights to Person C	Ordinary resolution	No. %	No. %	No. %	No. %	No. %	No. %	No.	Carried/Not Carried
4: Remuneration report	Ordinary resolution	No. %	No. %	No. %	No.%	No. %	No. %	No.	Strike/No Strike

*Votes cast by a person who abstains are not counted in calculating the required majority on a poll