



Company	Australian Foundation Investment Company
Code	AFI
Meeting	AGM
Date	14 October 2020
Venue	Online
Monitor	Jason Cole

Number attendees at meeting	270
Number of holdings represented by ASA	636
Value of proxies	\$80.8m
Number of shares represented by ASA	12.3m (equivalent to 2nd largest holder in Top 20 list)
Market capitalisation	\$7.99 billion
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Chair John Paterson, Managing Director Mark Freeman, CFO Andrew Porter and Company Secretary Matthew Rowe

An uneventful AGM in an eventful year

Covid-19 restrictions meant that the 2020 AFI AGM was held virtually, a big change for a company that usually attracts a large gathering of shareholders. The virtual attendance this year was down around 70 compared to last year’s face to face meeting.

Chair John Paterson welcomed attendees with a summary of the year and some thoughts on the current year, The most pertinent of his remarks was that the board has now decided that the time is right to invest a small part (up to 1.5%) of funds into a diversified global equities portfolio.

Mark Freeman, the Managing Director addressed shareholders regarding the company objectives and investment process. He also made remarks on how AFI integrate Environment, Social and Governance (ESG) thinking into their investment framework. A question regarding this had been forwarded by the ASA prior to the AGM.

A detailed insight into AFI’s overweight positions and the reasoning behind this was provided by David Grace, a member of the investment team. Details are available on the [ASX website](#).

Questions from shareholders were similar to those asked by the ASA either this year, or in the recent past, at pre-AGM meetings with the company. They can be summarised into the following themes.

- **Auditor** – Questions regarding when the last competitive tender took place (2017) and any extra risk taken on by the company in response to implemented operational changes due to Covid-19 (No issues identified and no increase in uncertainty due to Covid-19).
- **Board** – Questions were asked about whether the structure of the board was adequate, and the gender diversity objective not being met. The ASA asked this question at the pre-AGM and details of the response are available in the voting intentions.
- **ESG / Climate Change** – A question regarding the recent behaviour of RIO was similar to a question submitted by the ASA. The managing director replied that the AFI approach is not to sell the stock, rather the approach is to speak to and seek changes in management when required.
- **Portfolio** – Several questions regarding specific sectors or companies.

The Items of business were discussed, with ASA asking questions regarding the changes to the remuneration structure for FY2021. Specifically, removal of the risk/reward return metrics from the annual incentive and the removal of NTA v peer group from the long-term incentive. As previously mentioned in the voting intentions, it is felt by AFI that the risk/reward metric is not comparable with the peer group and that NTA is strongly embedded within TSR and the movement of share price.

The ASA also asked John Paterson and Catherine Walter, the two directors seeking re-election that do not meet ASA tenure guidelines, to outline the skills they bring to the board as a long-term director. Both gave a detailed outline of their previous roles and how this benefits the board. Additionally, both directors indicated that they continue to refresh their skills and provided recent examples.

The remuneration report was carried, registering a 10.66% against vote. This was similar to last year's 10.81%. All directors seeking re-election were returned with support of between 94.86% for Ms Walter to 98.14% for Mr Paterson. [Full results of the meeting are on the ASX website.](#)

Whilst this year's event was uneventful, it did lack the impact and insight of previous AGM's. All directors are given the chance to provide shareholders with their insights into the state of the economy and this didn't occur this year. Similarly, questions tended to be grouped together and were not attributed (except for one for the ASA), which meant they didn't have the impact that they may normally have. The company certainly prefers holding face to face shareholder events and would likely be looking forward to the return of these as much as shareholders.