

VOTING REPORT

2020 HALF-YEAR OUTCOMES

VIRTUAL AGMS, REAL DISCONTENT:

The six months to 30 June 2020 saw a short voting season that focused largely on pre-pandemic issues:

- **Investors delivered record support for climate change resolutions** at Woodside, Santos and Rio Tinto – sending a message on the need for further work on their practices and targets.
- **Capital Raising in the Spotlight** - Concerning placement allocations as companies rush to bolster balance sheets amid COVID-19.
- **AMP Remuneration revolt** - The outright defeat of AMP's remuneration report amid pay-for-performance concerns.

	ASX200	ASX300
MEETINGS	47	69
RESOLUTIONS	326	436
REMUNERATION STRIKES	1	2



SHAREHOLDER RESOLUTIONS

Five of the 10 largest votes in support of shareholder resolutions in recent times.

Climate-related votes at Woodside, Santos and Rio Tinto reflected growing frustration with the slow pace of change at some.

[Read more](#)

KEY COMPANIES:

Woodside Petroleum, Santos, Rio Tinto, QBE



CAPITAL RAISINGS

Placements that don't treat existing shareholders appropriately continued to draw fire.

ASX responds to investor concerns in relation to the need for greater transparency.

[Read more](#)

KEY COMPANIES:

Cochlear, Next DC, Bellevue Gold



REMUNERATION

AMP remuneration report rejected outright for second time in three years.

Shopping centre operators Unibail-Rodamco-Westfield and Scentre Group recorded sizeable investor opposition.

[Read more](#)

KEY COMPANIES:

AMP, Unibail-Rodamco-Westfield, Scentre, Sigma Healthcare



DIRECTOR ELECTIONS

Eclix's chair Kerry Roxburgh in the spotlight following impairments, downgrades, a failed merger and accounting restatements.

Shareholder nominee Gary Weiss again narrowly unsuccessful at getting on the Cromwell board.

[Read more](#)

KEY COMPANIES:

Eclix, Spark Infrastructure, Cromwell Property Group

SHAREHOLDER RESOLUTIONS

The first half of 2020 saw five of the 10 largest votes in support of shareholder resolutions in recent times.

RECORDS AT WOODSIDE AND SANTOS

Growing frustration with **Woodside Petroleum's** slow pace of change in climate reporting and target-setting saw investors deliver the highest ever support for a board-opposed shareholder resolution in Australia.

The 'Paris goals and targets' resolution received just over 50 per cent of proxy votes in favour. With direct votes included, the outcome was lineball, depending on how undirected proxies would have been cast.

There was also strong support (42 per cent) for the company to address their alignment with industry associations.

Similar resolutions at **Santos** on 'Paris goals and targets' and industry associations received very high support of 43 per cent and 46 per cent respectively. These votes would have been much higher had 15 per cent shareholders ENN/Hony Capital given their support.

RIO TINTO FACES CLIMATE HEAT

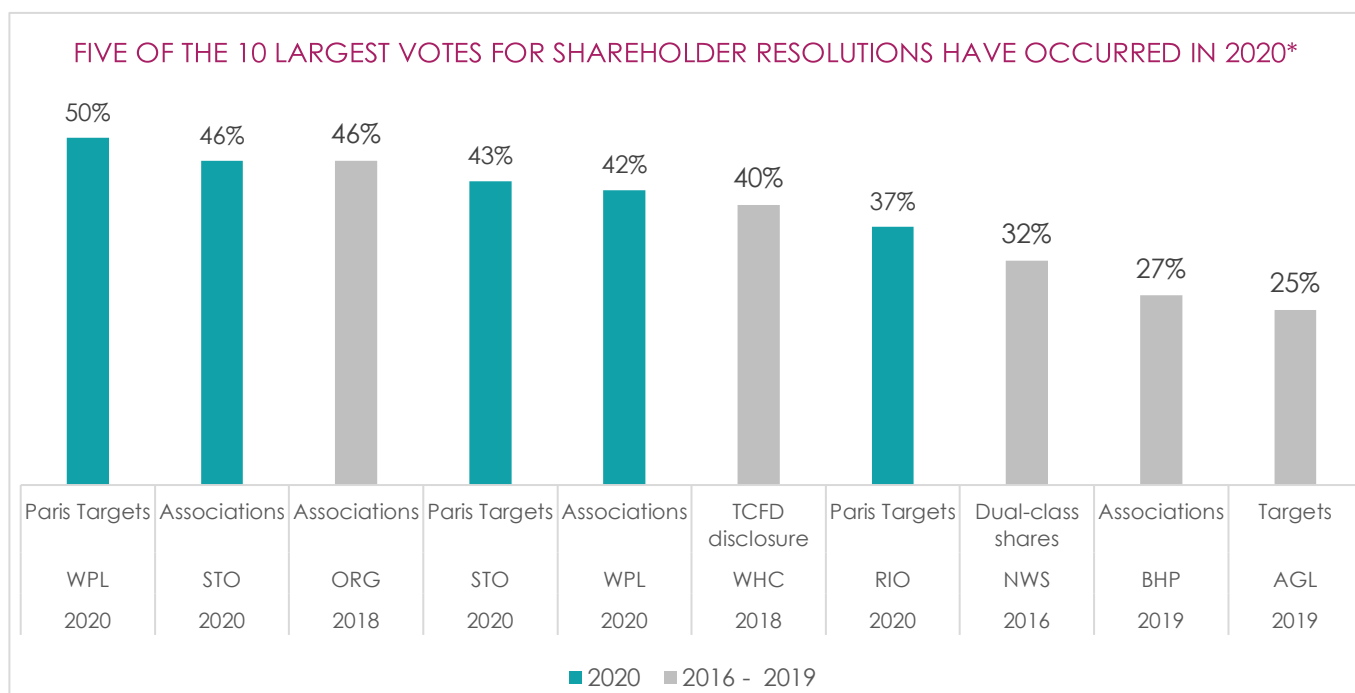
The other resolution to receive significant support was at **Rio Tinto**, where proponents called for Scope 1, 2 and 3 emissions targets. Rio had said it was aiming for carbon neutrality by 2050 and released new Scope 1 and 2 emissions targets (a 15 per cent reduction in absolute emissions and a 30 per cent reduction in intensity) for 2030. These came after extensive investor engagement with the company.

Setting meaningful Scope 3 targets is challenging for most companies, given that depletion-based targets have been relatively meaningless for investors. Around three-quarters of Rio's Scope 3 emissions come from steelmaking, for which there is (currently) no viable low-carbon alternative.

Over a third of shareholders in the Australian Rio Tinto entity supported the resolution, which appeared driven by offshore investors.

The vote does reflect the increased global focus on climate and the expectation of investors and others that companies need to do more on these issues – even if 'more' is not well defined.

Insurer **QBE** also had two shareholder proposals, neither of which received significant support.



* YTD. Excludes a 2016 resolution at Rio Tinto supported by the board. Santos did not disclose the result of one resolution in 2017.

SHAREHOLDER RESOLUTIONS IN H1 2020

Company	Resolution	Vote 'for'*
Woodside Petroleum	Paris Goals and Targets	49.6%
Santos	Climate Related Lobbying	46.4%
Santos	Paris Goals and Targets	43.4%
Woodside Petroleum	Climate Related Lobbying	42.2%
Rio Tinto Limited [^]	Emissions Targets	36.9%
QBE Insurance	Exposure Reduction Targets	13.2%
QBE Insurance	Shareholder resolution: QBE World Heritage policy	6.7%
Woodside Petroleum	'Reputation advertising' activities	2.7%

* Proxy results only. The resolutions were not put to the meetings because the enabling constitutional amendments were not passed. Constitutional amendment resolutions not included. Proxy's discretion is assumed to be voted in line with the board (i.e. 'against').

[^] This resolution was only put to the Rio Tinto Limited meeting, not Rio Tinto PLC.

CAPITAL RAISINGS

Announcements by the ASX at the end of March introduced Temporary Emergency Capital Raising provisions (Class Waivers) in the wake of the pandemic.

The changes prompted ACSI to write to all ASX300 Chairs asking them to respect and consider the rights of investors in any actions taken. That letter drew positive written and verbal responses from nearly 100 boards.

We know from extensive experience that poorly executed capital raisings cost superannuation funds millions of dollars at a time when their members' retirement savings have already been impacted by the current market turmoil.

At the same time, there is [research](#) showing that the discounted COVID-19 raisings in May and June have already generated nearly 60 per cent returns for those participating.

STAND-OUT DEALS FOR WRONG REASONS

Placements by **Cochlear** and **Next DC** showed that dilution for existing investors was very real under the relaxed rules.

In March, Cochlear undertook an \$800m placement that saw one shareholder receive almost 40% of the available stock, despite previously not previously being a substantial shareholder and only having been a shareholder for 6 weeks.

NXT undertook a \$672m placement and SPP that was [publicly criticised](#) by existing shareholders for being (reportedly) deliberately allocated in a way that diluted existing shareholder interests. Its share price has since risen ~50%.

The ASX later upgraded the waiver system to require additional disclosure from entities taking advantage of the temporary rules.

BELLEVUE INVESTOR STRIKES GOLD

Ratification votes on placements provide investors an opportunity to signal their concerns.

In March, junior pre-production gold miner **Bellevue Gold** issued shares equivalent to 15 per cent of its equity at 30c each, raising \$26.5mn from issuing 89mn shares. Around 75 per cent of that – or 10 per cent of the company – went to one investor, BlackRock. The placement was expected as part of securing its ongoing funding needs, and not a reaction to COVID-19.

In early July, BlackRock announced that it had sold around 1 per cent of Bellevue. Bellevue shares had rallied on the gold price to over \$1 from the 30c placement price, enabling BlackRock to realise a return of more than 300 per cent on the stock sold.

Later in July, Bellevue placed another 100mn shares at \$1 each, paying a 3.5% underwriting fee.

REMUNERATION

As usual, investors signalled disapproval at pay structures and outcomes for senior executives through votes against remuneration reports and executive grants during the half.

AMP FINDS A NEW LOW

AMP recorded 2020's largest 'against' vote in the period, with a 67 per cent vote 'against', which meant not just a strike but an outright defeat of the resolution.

Investors were concerned that AMP's structure meant executives would benefit even if the company performed worse than the median of peers.

The 'Transformation Incentive' (set at a potential \$7m for CEO Francesco De Ferrari) allowed substantial vesting even if performance was up to 25 per cent below an index of peers.

It was the second time in three AGMs for AMP that its remuneration resolution was defeated outright, and worse than its 2018 meeting where AMP received a 61 per cent 'no' vote.

At this year's meeting, then chair David Murray said AMP was like a patient who has "suffered multiple complications requiring...treatment whilst preparing for major surgery" and that shareholders would "expect our health costs to rise substantially with specialist treatment".

URW, SCENTRE AND SIGMA RECEIVE HIGH VOTES

At French-Dutch domiciled **Unibail-Rodamco-Westfield** shopping centre group, investors were concerned at bonus persistence, which coincided with disappointing security-price performance even before the major disruption caused by the pandemic. Just over 25 per cent of votes were cast against this item.

Scentre Group, which flies the Westfield brand in Australia, was less than 2 per cent away from incurring a strike. Some investors may have factored in the major impact of COVID-19 on the shopping centre operator even though the incentives related to calendar 2019.

Elsewhere, 30 per cent opposed **Sigma Healthcare's** remuneration report – the only other strike in the ASX300.

TOP 10 VOTES AGAINST REMUNERATION REPORTS: ASX200

Company	Index	Against
AMP Limited	100	67.3%
Scentre Group	100	23.3%
Woodside Petroleum	100	19.5%
Virgin Money UK	100	17.3%
G8 Education Limited	200	14.0%
Appen Limited	200	8.9%
Rio Tinto	100	6.6% and 7.3% ¹
Unibail-Rodamco-Westfield	200	7.1% ²
Aristocrat Leisure	100	6.4%
CIMIC Group	100	5.5%

1. Rio Tinto has both an Australian and UK remuneration report.

2. URW has 8 resolutions relating to their remuneration report, remuneration policy and implementation. Four of these received between 7.1% and 25.8% against and 3 were opposed by ACSI.

DIRECTOR ELECTIONS

Throughout ACSI's board gender diversity campaign, and in accord with its [published voting policy](#), we have accepted short-dated assurances and commitments from boards that have no, or few, women directors.

For companies unable to give us firm assurances, we have recommended votes against incumbent male directors.

SPARK IMPROVES DIVERSITY

Spark Infrastructure was set to join the (very short) list of ASX200 boards with no women directors when Karen Penrose announced that she would retire at the May AGM.

Spark assured investors in engagement that the company was likely to announce the appointment of a woman director before the AGM – fulfilling on that commitment just days before with the announcement that Anne Brennan would be joining from early June.

SECOND TIME UNLUCKY FOR WEISS

Cromwell Property Group's largest shareholder, ARA Asset Management, failed in March at its second attempt to have Dr Gary Weiss appointed to the board as its nominee.

It was not a straightforward matter, given Cromwell's view that ARA was a competitor in some markets, and concerns over Weiss' workload given he was a Chair, a director and an executive at several other companies.

Weiss received 41 per cent of votes in favour – less than his 49 per cent support during a previous 2019 attempt. In September 2020, Weiss and another ARA nominee, Joseph Gersh, succeeded in being elected.

TOP 10 VOTES AGAINST DIRECTORS: ASX200

Company	Index	Against	Director
Cromwell Property Group	200	59%*	Gary Weiss (shareholder nominee)
Oil Search	100	18%	Kostas Constantinou
Oil Search	100	17%	Fiona Harris
Santos	100	14%	Guy Cowan
Janus Henderson Group	200	13%	Richard Gillingwater
Janus Henderson Group	200	13%	Angela Seymour-Jackson
Santos	100	12%	Yasmin Allen
Technology One	200	11%	Ronald McLean
CIMIC Group	100	11%	José-Luis del Valle Pérez
CIMIC Group	100	11%	Pedro Lopez Jimenez

*Note: The election of Gary Weiss was not supported by the board.

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