

VOTING REPORT

2022 HALF-YEAR OUTCOMES

IN THIS ISSUE:

- ‘Say on Climate’ resolutions were put to the shareholders of Australia’s two major oil and gas companies in the first half of 2022.
- Board gender diversity continues to improve with large cap companies appointing women at levels approaching parity with men.
- Half-year remuneration report strikes return to more modest levels after last year saw a record nine strikes by the same point in time.

	ASX200	ASX300
MEETINGS	45	75
RESOLUTIONS	309	497
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CLIMATE CHANGE

Both major oil and gas companies plus Rio Tinto held their ‘Say on Climate’ votes.

Support for NGO proposals on climate varied considerably from the year prior, but showed little correlation with ‘Say on Climate’ voting outcomes.

[Read more](#)

Key companies:
Woodside, Santos, Rio Tinto, QBE



DIRECTORS

Strong improvement in board diversity led to fewer applications of ACSI’s board gender voting policy.

Significant opposition to the election of two directors at Scentre and Eclix based on poor historical performance while serving as directors at other companies.

[Read more](#)

Key companies:
Nickel Industries, West African Resources, Dicker Data, Scentre Group, Eclix



REMUNERATION

Following last year’s record number of first-half strikes, shareholder support for remuneration outcomes has reverted to more normal levels.

Santos receives a ‘first strike’ and TechnologyOne issues a surprising market-wide response to ACSI’s recommendations.

[Read more](#)

Key companies:
Santos, Dicker Data, Coronado, TechnologyOne



CONSTITUTIONS

ACSI continues to oppose constitutional amendments that entrench ‘virtual-only’ general meetings.

[Read more](#)

Key companies:
Brainchip, Firefinch and Nickel Industries

CLIMATE CHANGE

'Say on Climate' and shareholder proposals in 2022's mini-AGM season

This time last year, ACSI re-iterated its support for the adoption of company-issued 'Say on Climate' advisory resolutions, most particularly where companies were materially exposed to climate-related risks. As ACSI identified, one of the benefits of this specific feedback mechanism was that shareholders would be in a strong position to consider *all* necessary elements - such as strategy, targets, actions, and reporting - on climate-related matters before deciding whether to support a company's overall approach to managing climate-related risks and opportunities.

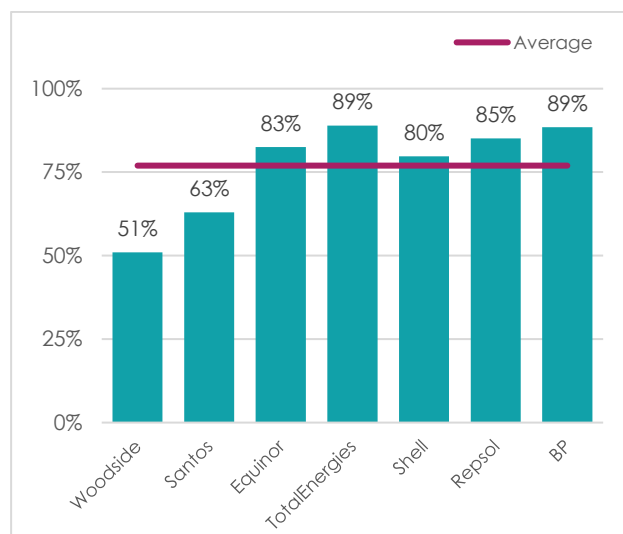
ACSI expects that the eventual adoption of 'Say on Climate' resolutions across the market will render most narrowly-framed climate-related shareholder proposals as unnecessary or obsolete. Under ACSI's Governance Guidelines, where a company has adopted a 'Say on Climate' resolution, this will be the primary focus for ACSI's engagement and analysis. Accordingly, in instances where a company offers a 'Say on Climate' resolution to shareholders, ACSI's default position in most cases will be to recommend against any climate-related shareholder proposals.

ACSI's view remains that direct engagement and participation in 'Say on Climate' resolutions are the most appropriate and effective mechanisms for our members to communicate their assessment of how companies are managing climate risks and opportunities. As such, where these channels remain available to ACSI and its members, we encourage members not to consider narrowly-framed shareholder proposals as overall proxies for company performance or ambition on dealing with climate change risks and opportunities.

Climate resolutions in 2022's mini-AGM season

In the first half of 2022, ACSI identified 21 companies in developed markets which held 'Say on Climate' votes. These companies predominantly operated within oil and gas, mining, financial and utilities industries. Interestingly, the two predominantly Australian domiciled companies, **Woodside** and **Santos**, received the lowest levels of shareholder support for their respective 'Say on Climate' resolutions. As Chart 1 demonstrates, both companies received significantly less support than global oil and gas peers which held similar votes in the first half of 2022.

Chart 1: Support for 2022 oil and gas company 'Say on Climate' votes



Woodside narrowly managed to avoid defeat in its first 'Say on Climate' resolution, squeaking by on 51%, and currently has the lowest level of tested shareholder support on climate for any company in the world.

Santos received 63% shareholder support and was also the subject of three shareholder proposals, which each registered approximately 15% shareholder support. The "capital protection" resolution, filed by Market Forces, saw a slight 2% increase in support on the year prior.

ACSI notes that a significantly greater proportion of shareholder votes were used to exercise climate 'protest' votes at Santos (~2.5x) and Woodside (~3.3x) using their 'Say on Climate' resolutions rather than via shareholder proposals lodged by Market Forces and ACCR. This suggests that shareholders are generally more willing to be critical on climate-related matters when given an appropriate mechanism to do so.

Rio Tinto received 84% shareholder support for its advisory resolution on climate. This was a near identical result to rival **BHP**, after that company held the second of its two AGMs in November 2021. Following engagement with investors, ACSI believes that Rio Tinto has been able to clearly articulate a decarbonisation and transition strategy which is Paris-aligned and well-integrated within its broader business strategy.

Market Forces' shareholder proposal at **QBE** received the largest level of shareholder support during the mini-AGM season, with 18% of shareholders voting in favour of the resolution.

ACSI notes that in the absence of QBE offering its own advisory shareholder vote on climate, this resolution was the only way for shareholders to register their concerns about the company's approach to managing insured emissions risks.

The proposal at QBE's 2022 AGM was largely consistent with a similar version in 2021. It called for the company to develop Paris-aligned targets covering its underwriting and investment activities.

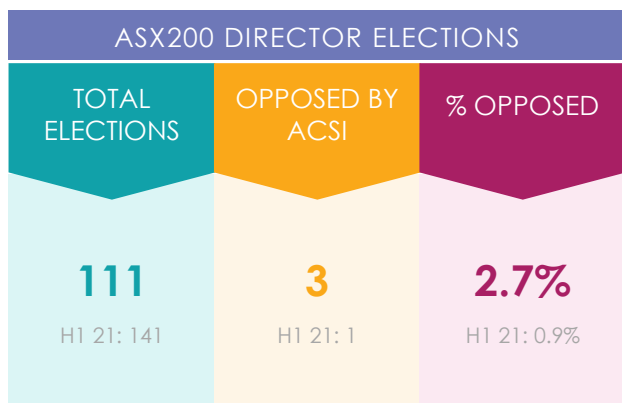
ACSI notes that shareholder support for Market Forces' resolution declined this year compared to last. It is likely that some shareholders viewed the proposal as unnecessary given QBE's recent membership in the Net Zero Insurance Alliance which commits the company to developing such targets in-step with its global insurance peers. QBE's targets are expected to be announced in August 2023.

CLIMATE RELATED RESOLUTIONS IN H1 2022 (ASX200)				
Company	Resolution	Board	Vote 'for'^	Change from prior year
Santos	Say-on-climate	For	63%	n/a
	Capital protection*	Against	15%	+2%
	Climate-related lobbying*	Against	15%	n/a
	Decommissioning*	Against	16%	n/a
Woodside	Say-on-climate	For	51%	n/a
	Capital protection*	Against	14%	-5%
	Climate-related lobbying*	Against	13%	n/a
	Decommissioning*	Against	12%	n/a
Rio Tinto	Say-on-climate	For	84%	n/a
QBE	Climate risk management*	Against	19%	-2%

*Denotes shareholder proposal

^ Proxy's discretion is assumed to be voted in line with the board (i.e. 'against')

DIRECTOR ELECTIONS



Diversity continues to improve

The rate at which women are appointed to listed company boards continues to improve, with ACSI's advocacy and longstanding voting policy being a key catalyst over time. Pleasingly, appointment rates have approached parity at Australia's largest and most prominent listed companies.

So far in 2022, women have made up 47% of new ASX300 company directors, another improvement on a year-on-year basis. In 2021, 43% of director appointments were women, and in 2020, it was 42%.

At the end of June 2022, women made up 35% of ASX200 directorships (see Chart 2), and the ASX300 was not far behind, with 34%. As a result, ACSI continues to see fewer occasions where exercising our voting policy is necessary.

ACSI continues to engage with priority companies in the ASX300 that fall short of member expectations on board gender diversity.

Despite improvements across the market, there remain 21 ASX200 boards with no, or very little (one woman appointed), gender diversity as of mid-August 2022.

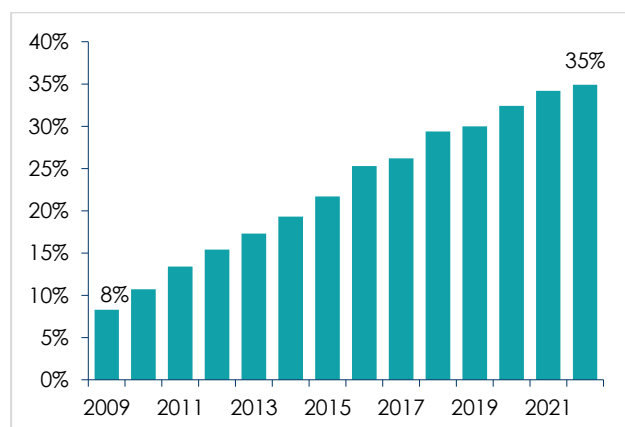
During the first half of 2022, diversity was the sole trigger for an 'against' recommendation only once. This was at **Nickel Industries** (formerly Nickel Mines) where ACSI recommended against Norman Seckold (further details on the page below). At the time of the AGM, Nickel Industries' board only had one woman director, falling short of ACSI's stated minimum requirements for an ASX200 company.

Further, ACSI noted that Nickel Industries' sole woman director, Xu Yuanyuan, a non-independent director appointed in 2018, was appointed to the board as a nominee of Shanghai Wanlu Investment Co. Ltd. At the time of her appointment, Wanlu had an interest of 10.8% in the company. Since then, its ownership interest has fallen and are no longer listed as a substantial shareholder. In her official company biography, Xu is not listed as having prior experience as an executive or director. Instead, her core areas of expertise are listed as fashion business and fashion design.

Nickel Industries suggests that Xu has "honed her business acumen, participating in the Shanghai Fashion Week with a focus on marketing, public relations and procurement activities". Xu's place on the board appears to reflect a relationship with a significant shareholder rather than addressing a gap in board gender diversity.

This example serves to highlight that in addition to seeking strong representation of women in boardrooms, ACSI is also seeking appropriately skilled, independent directors to serve on boards of listed companies.

Chart 2: Percentage of women directors on ASX200 boards



Independence

Together with accountability and diversity, a lack of independence continues to drive shareholder dissent.

Nickel Industries executive vice-Chair Norm Seckold received 25% of shareholder votes against his re-election at the company's May 2022 AGM (see above). ACSI recommended against his re-election in accordance with our board gender diversity policy, however, it is likely that shareholder dissent was also influenced by factors such as board independence. Seckold is an affiliated director on a majority non-independent board and Seckold's significant workload as both an executive of Nickel Industries and as a director at several small cap listed companies was likely a source of concern.

In the ASX300, **West African Resources** director (and COO) Lyndon Hopkins received a sizeable 31% of votes against his re-election. This result appears to reflect a minority shareholder desire for greater board independence. ACSI notes that the company's CEO also fulfils the role of Chair, however West African Resources is a majority independent board and has appointed a designated lead independent director.

Instability and Accountability

Scentre Group rescued former AMP Limited Chair Catherine Brenner from her listed company "purgatory". Brenner had not served on an ASX-listed company board since 2019, having resigned her NED roles at three large cap listed companies in the wake of the 2018 Royal Commission into Banking and Financial Services. Principally motivated by a desire for accountability for the resultant period of poor shareholder and client outcomes at AMP, 18% of shareholders voted against Brenner's election

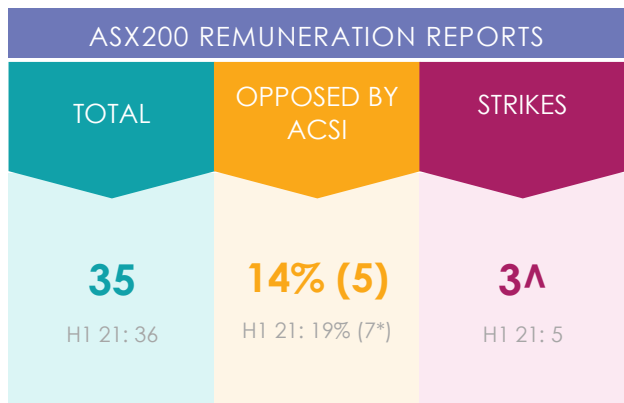
At **Eclipx**, NED Trevor Allen, who serves as the Chair of the Audit and Risk Committee, received a substantial 36% vote against his re-election. This was principally due to Allen's prior involvement in a similar role at Freedom Foods (since renamed Noumi). During Allen's time at Freedom Foods, there were major accountability concerns relating to the audit function. These centred on accounting for capitalised costs and revenue recognition, which ultimately led to a months-long trading halt and massive value destruction for shareholders.

10 LARGEST VOTES AGAINST DIRECTORS: ASX300 (ASX200 in bold)*

Company	Director	Against
Eclipx Group Limited	Trevor Allen	36%
West African Resources Limited	Lyndon Hopkins	31%
Graincorp Limited	Peter Richards	30%
Brainchip Holdings Ltd	Peter van der Made	28%
Nickel Mines Limited	Norman Seckold	25%
Life360 Inc	John Coghlan	21%
Life360 Inc	Charles Prober	21%
Gold Road Resources Limited	Denise McComish	19%
Scentre Group	Catherine Brenner	18%
Resolute Mining Limited	Simon Jackson	18%

* Excludes resolutions that were withdrawn and shareholder nominees.

REMUNERATION



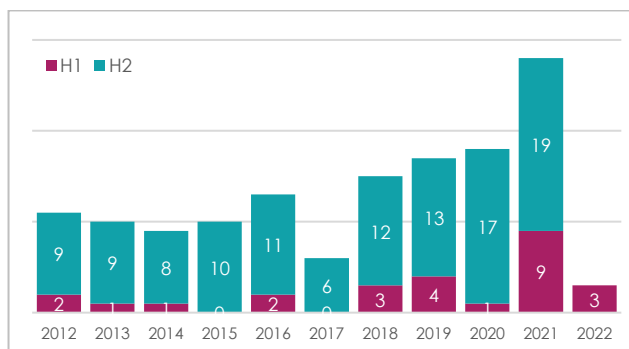
* Two were at RIO.

^ This includes votes of over 25% at foreign-domiciled companies where the two-strikes regime does not technically apply.

Moderation in remuneration protest votes for 1H22

During the first half of 2021, a record nine remuneration report strikes were dished out to ASX300 companies as they grappled with calibrating remuneration outcomes amidst the disruption caused by COVID-19. It was therefore likely that the first half of 2022 would see a reduction in remuneration report strikes as companies engaged with investors to address shortcomings in remuneration practices. Only three ASX300 remuneration strikes were recorded during AGMs in the first half of 2022, well down at the same point the prior year (see Chart 3).

Chart 3: Strikes at ASX300 companies



Santos received a 'first-strike' at its May 2022 AGM. The 25% 'against' vote for the remuneration report was likely triggered by the company's decision to issue CEO Kevin Gallagher a one-off \$6 million 'growth projects incentive' to be delivered entirely in equity and vesting over the period to the end of FY25.

Dicker Data had 33% of shareholder votes cast against its remuneration report, earning the ASX300 company a 'second strike'. However, the resultant spill resolution received only 12% support.

Coronado Global Resources received a 'first-strike' with 27% 'against' votes at its AGM. Investors considered high incentive outcomes at the company simply did not reconcile with poor company performance. Additionally, the safety component of the tested LTI allocation vested to 71% despite two workplace fatalities occurring within the performance period.

Members may recall that **TechnologyOne** received a first strike at its AGM last year, with 38% of shareholders opposed to the remuneration report. Founder and former Executive Chairman Adrian Di Marco has been a noted critic of proxy advisers (including ACSI) in recent history and authored TechnologyOne's response to the Treasury's consultation paper on proxy advice - one of only a handful of submissions supportive of the since-abolished regulations.

Mr Di Marco issued an ASX announcement criticising ACSI's voting report. This was the first time a company dedicated a market-wide announcement to addressing the contents of an ACSI voting report. Di Marco retired from his executive and director responsibilities at TechnologyOne in June 2022. ACSI wishes him well.

LOOKING AHEAD

The remainder of the 2022 reporting and AGM seasons will be very carefully monitored by ACSI. The lingering effects of the COVID-19 pandemic have caused a series of challenging conditions for company boards to navigate, including key skills shortages and the re-emergence of inflation which has placed upward pressure on remuneration.

As always, ACSI will engage with as many companies as possible ahead of their AGMs this year to understand and influence the way they treat remuneration outcomes now and into the future.

REMUNERATION REPORT STRIKES: ASX300 (ASX200 in bold)

Company	Index	Against
Santos Limited	100	25%
Dicker Data Limited	300	33% (second-strike)
Coronado Global Resources	300	27%

CONSTITUTIONAL CHANGES

Push to make Virtual AGMs permanent

ACSI continues to oppose constitutional amendments giving companies the ability to hold wholly virtual general meetings with shareholders unable to physically attend. ACSI maintains that virtual meetings do not provide the same opportunity to engage with the board and management team and is detrimental to the rights of all shareholders. Instead, ACSI views 'hybrid' AGMs as combining the benefits of both physical and virtual meetings by allowing shareholders a reasonable opportunity to participate and hold boards and management accountable.

As members would be aware, ASIC has been granted permanent power to issue relief to companies from provisions of the Corporations Act during events such as a pandemic.

ACSI therefore believes that constitutional amendments which would enshrine virtual-only general meetings are unnecessary, and risk disenfranchising shareholders.

ACSI therefore opposed constitutional amendments at **Brainchip**, **Firefinch** and **Nickel Industries** as the plain text of proposed amendments would allow the companies to avoid holding physical, or hybrid, general meetings.

Unfortunately, in all three cases, shareholders approved the constitutional amendment.

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