

CONSIDERATIONS FOR COMPANIES APPROACHING THEIR 2020 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) season is getting under way for companies with December 31 year-ends. In light of the recent Coronavirus (COVID-19) outbreak and its related public health concerns, an increasing number of companies are taking necessary precautions such as restricting avoidable travel, cancelling external conferences, restructuring internal meetings, closing their physical office and having employees work remotely. This is causing companies to re-think how they will undertake their 2020 AGM in light of government bans on large gatherings and travel restrictions.

The Corporations Act requires public companies to hold an AGM at least once every calendar year and within 5 months of the end of their financial year. As it currently stands, the Australian government has already imposed a ban on gatherings of more than 100 people and venues now will be limited to four square metres per person in an enclosed space in a room. What does this mean for companies who have an imminent AGM? In breaking news, [ASIC has just announced](#) that no action will be taken if an AGM is postponed for two months and that it will now support virtual meetings.

Previously, Australian law allowed companies to host hybrid AGMs (which have both a physical and virtual presence) but did not permit full virtual AGMs. With today's news, Australian companies proceeding with their AGM will be able to do so virtually, enabling complete online participation for shareholders.* Voting by proxy remains a reliable and effective way for members' votes to be cast and counted where members are unable to attend a general meeting.

COVID-19 also means that company Boards will play a more critical role with AGMs to help support management in dealing with this pandemic. When crisis strikes, investors will be looking for strong stewardship at Board level and leadership at management level, to ensure new risks and threats are understood, and that there is a plan to manage them. This will pave the way for constructive pre-AGM engagement and help deliver strong support for a Board's voting recommendations.

Further, the unprecedented market volatility is rapidly reshaping share registers, so it is critical for companies to know who their investors are and how best to communicate with them ahead of any AGM voting. Never has it been more important for companies to keep up appropriate engagement with their stakeholders to provide reassurance and address concerns.

Comprehensive knowledge of your shareholder base is the foundation of any shareholder engagement strategy. Identifying a company's beneficial owners is a first step to managing the engagement process. Morrow Sodali are experts at beneficial owner identification but more importantly our many years of engagement expertise and constructive dialogue with institutions has equipped us with knowledge and insights about the manner and voting process of individual funds. This enables us to effectively engage with investors, gather and accurately report and interpret votes as opposed to the traditional clerical approach to voting.

* ASIC considers that hybrid AGMs are permitted under the Corporations Act but entities need to check whether their constitution restricts meetings being held in this way. The virtual AGM is conditional on the technology providing members as a whole a reasonable opportunity to participate (sections 249S). In ASIC's view, this would include:

- members being able to ask questions of the auditor and about management; and
- voting occurring by a poll rather than a show of hands.

We provide detailed analysis showing the voting authority (as opposed to just the investment mandate), proxy advisor and ESG dependencies of investors. This work identifies beneficial owners ranked top-down in order of voting power to ensure that investors who actually control the voting mandate, such as asset owners and passive funds, are targeted and encouraged to exercise their vote. This also opens up a new category of investors for management and Boards to engage which are usually not part of a result related investor roadshow.

Morrow Sodali brings together all the global expertise, information, technology and resources companies need to engage effectively with shareholders and achieve their desired outcomes. Deep and comprehensive engagement expertise, advice and strategy led by principals and senior advisors distinguishes the value we offer our clients.

We are the only global consulting firm that is resourced with in house corporate governance experts who have extensive proxy advisor engagement and governance research expertise.

Our trusted team is ready to fully support companies with their investor engagement efforts at this critical time in local and global markets.

Find out more at www.morrowsodali.com