

CRUCIAL INSIGHTS TO CONSIDER WHEN RUNNING A VIRTUAL AGM

For today's panel, we have expert industry insights from Maria Leftakis who is the CEO of Morrow Sodali, experts in shareholder engagement and corporate governance and will be able to really discuss the implications for companies on adjusting to a virtual AGM.

From Boardroom Limited, we have Steve Hodkin who is head of listed client services at Boardroom and has been at the forefront of the recent uptake in Virtual Meetings services and is keen to share his views on the advantages and challenges of the solution.

And we have Sara Drury from Redback Connect who brings a wealth of experience on the technology front, providing innovative solutions for handling webinars, video conference and teleconferencing, enabling companies to host a virtual AGM.

Nina: Let's start by discussing how the recent ASIC guideline changes, which now allow virtual meetings for all listed Australian companies, what does this actually mean for companies and how can they best prepare? Maria, are you able to provide some insights into what this means for companies and how they engage with their shareholders?

Maria: On the 6th May 2020 in response to COVID19, the federal treasurer issued a determination that temporarily allows corporations governed by the Corporations Act to host their annual general meetings virtually as long as those who are entitled to attend have the opportunity to participate as they would at a physical meeting. The other important fact for ASX listed companies is that companies no longer need to send a hard copy of the notice of meeting and this can now be done electronically under the determination. That lasts for six months and takes us to the 5th of November 2020.

Nina: Steve, as a registry, I am sure you have had lots of issuers come to you and ask what do they need to do to get a virtual AGM live? What are some of the key areas of advice you are able to give to clients?

Steve: Prior to the Treasurer's determination and soon as the COVID outbreak became prevalent in March and April, companies were coming to us needing to have their AGM and were asking us what were the tips and tricks and what did they need to know from the AGMs Boardroom have run to help them drive their AGM to run smoothly and successfully? Companies wanted to know what the technology was like, how it would work, what the shareholder experience would be like but most importantly, what

are the tips and tricks of AGMs held so far of what's worked and what hasn't to help them drive a better outcome for their AGM. And hopefully give their shareholders the same experience virtually.

From the meetings Boardroom have held so far, there have been a lot of questions asked around the handling of Q&A from shareholders and what are the requirements to help facilitate the Q&A process smoothly. We have also been suggesting that companies initiate rehearsals and highlight the need importance of practising a day or two before the meeting. We are recommending that companies have a technical rehearsal to ensure the platform is working as expected and then the day before, have a dress rehearsal with the CEO, the Chair and all Directors involved, enabling them to all be prepared for how the virtual meeting will transpire on the day. A lot of people are very comfortable presenting to a room full of people, but presenting to a camera is a completely different experience.

Nina: This is a massive change to AGMs, Sara how have you helped assisting companies on the technology front?

Sara: We have seen a huge shift and it's happened quite rapidly. Interestingly in March 2020, we launched a report with the Governance Institute of Australia (GIA), 45% of people in that report were currently running Hybrid AGMs or Investor meetings through teleconferences or web conferences. Now we are seeing people shift completely online, we are actually seeing companies looking for different ways to make it work. Traditionally you may have had an operator assisted teleconference. Now we're seeing people talking it more online using broadcast

studios. We are trying to prepare people and get them to see that technology is one component, but the presenters and rehearsals is key to the success. Presenting online compared to presenting face-to-face is completely different and when you have CEOs and senior management delivering key messages, it's really important that the technology is right and that all presenters feel comfortable. We are actually seeing an increase in demand for pre-recording some of the content and streaming it in a live capacity.

Nina: With so many moving parts to a virtual AGM, how do you effectively engage with all shareholders where there is not the ability to have face-to-face meetings?

Maria: If you look at the history of AGMs over the past 20 years, it is a story of two halves. You have the professional and institutional investors – what we've seen since the two strikes rule, the advent and increasing influence of proxy advisors, the de-coupling of voting mandates from investment mandates and the real pressure to exercise their fiduciary duties, the institutional shareholder vote has really increase significantly and does represent those that are on the register. But when you look at the vast majority of individuals, even though we have had technology and digitisation for some time, history shows over the last 10 years that rather than retail investors, who a physical AGM caters for, institutional investor generally don't attend (as they have already cast their vote and can be physically located all around the world), individual participation has steadily decreased and the percentage of issued capital they represent in the vote is quite low. Directors and executives are constantly thinking about do we engage and reach out to retail investors to enable companies to have the engagement to meet the requirements of those investors that want to participate, meet with the Board, ask a question and listen to the answers of questions asked. What this pandemic has done has given listed companies the opportunity to present virtual only meetings and test and exercise virtual meetings and be innovative in their engagement strategies which is encouraged by ASIC. This is a huge opportunity to engage the vast majority of investors and create a connection and engagement to articulate what the company is doing.

Sara: It is important when moving into any digital or virtual event that you are running, is to not just think about the communication and content but with the delivery, how do you engage best people in a two-way environment? If you are running a hybrid event, how do you engage the online participants as well as those who are physically present? It will be really interesting to see who it works for and who can do it well. Online events don't just magically happen. There is a lot of effort in preparing them.

Maria: The upside is enormous because if you are able to get that formula right and you are able to effectively engage your investor base in a virtual only environment, when we get out of this pandemic situation, the attractiveness of hybrid meetings will be very high and shareholders will be comfortable in using that avenue. This has always been a challenge, that reticence to try something that hasn't been that extensively tested in the Australian market, this is a huge opportunity to make virtual meetings an engaging experience.

Steve: We've had to embrace this in the past months and looking ahead, in the months ahead, so there has been a necessity and need to embrace it. Some of the technological solutions have been in place for the past two or three years but they haven't been embraced through fear of the unknown and technological failures. This is the spur we need to say that the technology does work, but I agree we might see the hybrid solution being the one to take forward for the next couple of years before we think about a fully virtual environment.

We have seen a huge technological shift with regards to virtual AGMs and it's happened quite rapidly. In March 2020, Redback Connect launched a report with the Governance Institute of Australia where 45% of people reported they were currently running Hybrid AGMs or Investor meetings through teleconferences or web conferences.

Maria: The Australian Shareholders Association (ASA) they really do want a physical meeting option because it allows retail shareholders the opportunity to see the Board and socialise with them. For many on the register that is an important part. Virtual only meeting, particularly from a cost perspective, is an attractive alternative however I feel that many shareholders will still want the option to attend a physical meeting. It would also require a permanent change to the Corporations Act so will need to wait and see what happens.

Steve: I attend between 70-80 AGMS a year and I can see that the retail shareholders do get a lot out of attending the physical AGMs. Not just the ability to ask a question to the Chair but they get a lot out of having a coffee with the Directors after the meeting. Retail shareholders still want that representation – the ability to not just ask a question at an AGM, but have a response that they are then able to respond back to which is one of the limitations that some of the technology platforms that exist at the moment. This is one area that companies are thinking about how they can give shareholders the opportunity to have a conversation with the Chair that you would normally get at an AGM.

Nina: When it comes to an AGM, the key reason for having an AGM is to pass the resolutions outlined in a company's notice of meeting. Maria, what are some of the key questions clients are asking when you help prepare a client's Notice Of Meeting?

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Maria: In the current environment, we believe that all Chairs delivering their communication need to be articulating and communicating how the company is responding to issues that COVID-19 has placed on their organisations. Operationally, how have they been affected? When will be it business as usual? Also, with the recent information sheet released by ASIC on variable remuneration there will be a lot of focus on executive pay outcomes, have there been any changes to short term incentives (STIs), in particular have STIs been paid out, if they have, why? Has the Board used it's discretion. These items will be of huge interest. We haven't seen shareholder resolutions related to climate change fall away as yet. In the first half of 2020 we have had Woodside, Santos and Rio Tinto all received shareholder resolutions which all received very high support from shareholders. Rather than climate change per-say, we are seeing a lot of interest in social purpose, social impact and human capital given how all workforces have been impacted.

From a retail perspective, there will be a lot of interest around the impact on dividends and when a company will be able to return to give a clear guidance on dividends. All these issues need to be carefully mapped out and thought about prior to the AGM in preparation.

Nina: With regards to voting, are we seeing any difference in trends in how shareholders are voting?

Steve: Voting numbers have remained consistently flat. The same number of people have been voting electronically as have been by post.

Maria: Monitoring what the vote will look like is absolutely critical, particularly if investors have certain issues weighing on their mind, a Chair doesn't want to be going into an AGM or close to a proxy dead and not being aware the voting turnout or the level of support for the resolutions. If you go back to the statistics with institutional shareholders that represent over 90% of the votes that are lodged, nothing has really changed for them in the sense that they vote electronically and they have been doing that in the past with the rest of the register being quite marginal.

Sara: On the technology front and having the ability to vote online, there are so many ways in which you can interact on line so it is important that it is managed by the right moderator. In any online event you have three main stakeholders. You have your online attendees, your presenters and the moderator. The moderator or facilitator's responsibility is very large so don't under-estimate role they play in managing everyone, keeping everyone on time, making sure everyone is engaged and that any questions that are received throughout the meeting are filtered in the best way, making sure the polls are responded to. If you do launch a poll online, don't do it and leave it so there is dead space because five seconds of silence in an online event is like 20 seconds of silence in a physical event. If you launch a poll during your event, it's great to have someone behind the scenes launching this on your behalf. You don't want to leave these interactive tools to your presenter. At any online meeting it's tempting to try and do it yourself but having an organisation to do it on your behalf and support you on the back-end in the event that something does go wrong is extremely beneficial and take away a lot of the stress for the presenters.

Maria: Yes you cannot underestimate the importance of rehearsing and sequencing. If it's audio only, that is the experience that shareholders have, they won't be able to see what's coming up on the screen, so being able to explain to the audience whether it's a virtual meeting with video and audio, but explain what is happening, what can they expect, giving them time. There really needs to be consideration that every investor, unlike a physical meeting where everyone is sitting down in the same circumstances, that won't be the same online in terms of what device they are using to attend. So it's important to consider these points and don't assume that shareholders know what is happening so it's important to step people through it so investors have the confidence and understanding of what comes next. All these are small issues but they are critical to the shareholder experience.

Steve: If you think about not just the shareholder's experience but the Chair's experience, what we are seeing a lot of companies do is that they have a team of moderators managing the questions coming in. They triage and bundle questions together and then verbally ask them to the Chair. So allows the Chair to

When it comes to Q&A in a virtual, some meetings are being over-moderated. Some questions are being moderated to such a degree that shareholders may not have their voice heard. Whereas at a physical meeting, if they are a shareholder with a coloured card at a physical meeting, they have to have their question answered.

have the experience they are used to with questions being asked to them. Rather than having a Chair look through a screen to moderate the questions themselves.

Maria: It's important to understand how incoming questions are managed because there is concern from some parties that not all questions, especially if they are confrontational, will be presented and not answered. So there is an expectation that there is transparency after the meeting about that process eg how many questions were asked etc. It's important for those asking the questions to hear that their question is being addressed as it would in a meeting as you can't ignore shareholders so that experience has to be replicated.

Steve: Yes there's the concept of meetings being over-moderated. So questions are being moderated to such a degree that shareholders won't have their voice heard. However if they are a shareholder with a coloured card at a physical meeting, they have to have their question answered.

Sara: Knowing your audience and who you are actually talking to, knowing the demographics of the types of shareholders that you are speaking to. And not everyone is as adept when it comes to technology. What technology are you using? Where are people based? Are they based in rural or remote areas where the internet quality could be poor. Due

to the pandemic we have seen a lot of companies use a combination of the technologies and using the teleconference combined with the video so those who can't view the meeting can listen in like a podcast. Blast dial out is another service a lot of providers are using which gives companies the ability to call people at mass without getting attendees to have to dial in or enter access codes for authentication. There is a lot of technology out there and it's wise for companies to do their research and know the different types of technology available that is suitable for their audience.

Maria: it's absolutely critical that the correspondence that shareholders receive if they are not getting their notice of meeting, that clearly outlines what they need to do and how they need to do it to participate. The focus on supporting and equipping shareholders who want to attend a virtual meeting with confidence. If this hasn't been well thought out or shareholders are struggling to understand what they have received, it will end in a negative experience for the shareholder and how they feel about the company.

When it comes to security, having the technology hosted on shore and local can make a big difference. Part of the feedback we have received from our investor relations survey is that people want visibility and want to have some certain control.

Steve: We are working together with companies to put together their NoM and proxy form and we are trying to make it as easy as possible with clear messaging. This is the URL you need to visit, this is the code you will need to enter and you will need to enter your postcode as an extra security measure. We are also enlarging the response centre lines in the peak AGM periods so from 30 mins before until 20 minutes into the meeting we have people on standby, ready to help people if they are struggling to get online.

Nina: Security is a big factor particularly when it comes to proxy voting, how can investors securely vote online during a virtual AGM? This is a massive concern for a lot of clients.

Steve: Yes, privacy is front and centre for everyone. Our clients want to know, when we're working with a technology platform, exactly what information we are sharing with that technology platform. We obviously keep that information to a minimum and encrypting that information where we do give that information to the technology provider. Also in terms of technology, you need to have a secure login to login to that platform. Companies don't want shared teleconference lines. They want secure teleconference lines. Shareholder activism is something that we are seeing grow in the last few years, and the last thing that we want is for shareholder to be posing questions, especially if they are NOT the shareholder. The security within the technology is front and centre.

Maria: When it comes to those who aren't shareholder and asking question, it's in the hand of the company to take control and manage it rather than let certain issues get presented at the AGM. Taking that initiative beforehand, if you do know that you have activists who generally have been attending meetings and asking question, it can be good to reach out and ensure you understand what they want to do and how they want to go about it so it doesn't disrupt the AGM or there's no negative media fall out after the AGM if they felt their question wasn't dealt with at the meeting.

Sara: From a security front, having the technology local and on shore hosting, can make a big difference. This allows that information doesn't go offshore. Part of the feedback we have received from our investor relations survey is that people want visibility and want to have some certain control. As an IR manager, you want to be able to see and try and manage issues before they arise. There are portals available where you can see who is an actual investor, who's an analyst and who's part of the media and making sure you know who's on the call and who's asking question. It's important to have the security but also the visibility of who's in the meeting.

Nina: With the huge uptake in virtual AGMS due to COVID and the ASIC guidelines in place until November 2020, do we see a rising trend with virtual AGMs becoming the new norm for companies or a growth in hybrid meetings going forward?

Maria: Absolutely. When we are working with companies, one of the key things they are doing is engaging with their shareholders in a meaningful way. The AGM is always a conundrum because so much energy and effort and expense goes into the AGM and getting all the Directors together (and some might be flying from overseas) and if you have not many people physically attending the meeting, it can be a sub-optimal experience. This is an incredible opportunity to be able to put a virtual/hybrid meeting to the test and effectively and successfully communicate with the largest body of your investors. For example, creating break-out rooms after the AGMs for socialising. If you have 100 people participating and you create break-out rooms with Directors or key executives, you can create a special experience for people attending. This is an opportunity for companies to be creative.

Steve: In terms of opening up to more people for engagement. If you look at a Sydney AGM, you will host it in a function room in the CBD. There's a limitation of how many people who can physically attend. Opening up your AGM virtually, allows you to open up your meeting to the whole country and the world, enabling companies to engage better in that sense. I believe hybrid meetings will continue as companies won't completely cut off the population of people who do like to engage face-to-face, ask a question to the Chair and have a cup of tea with the CEO.

Nina: Talking about being creative, we spoke earlier about pre-recording particular components of an AGM like the Chair's address so he/she does not get derailed. This ensures they remain focused on delivering the key messages in a change in environment.

Maria: There's one caution I have in terms of preparation per say, there has been a lot of discussion about needing a script and working from a script because that's the way to have control

and management. I think that the process and the sequence in the conduct of the meeting needs to be well scripted and rehearsed but not the actual deliver from the chair and others presenting. A scripted presentation and a natural presentation is very obvious especially in a virtual environment. You do want it to be a natural experience for shareholders as it's a more engaging environment.

Sara: I can't agree more. There has been this evolution, even with webinars and online events over the past 10 years where we have gone from a talking head, to a web cam, to online TV shows to increase that engagement, I think we need to be mindful that we need to breakthrough that technology barrier as a presenter. It's a lot easier for someone to close down their browser as opposed to walking out of a room. The amount of invitations that people are receiving for online events is growing so you need to find a way to stand out and engage with your audience. And if you stumble during your presentation, that's ok. It shows that you are human which can be endearing.

Nina: Are there any other technology considerations when it comes to online meetings, in particular registrations and reporting?

Sara: It's important to start with the end in mind and think about the reporting element. From the questions that do come through that you may not have been able to answer during the meeting, ensuring you have a transcript post the event. Captioning is also important depending on your audience and compliance. If you understand what you want to get from your reporting, that will help you create your registration process. Make it easy for people to register and ensure you receive the data afterwards on those who did attend and communicating with them afterwards.

Thank you to Maria, Steve and Sara for participating in today's IRTV. I hope we have provided some insights into the world of virtual AGMs.



Maria Leftakis, CEO Australia, Morrow Sodali

Maria is a founder shareholder and has 25 years' experience in shareholder engagement, specialising in the strategic advice and execution of mergers and acquisitions, AGMs, contests, proxy fights and other extraordinary transactions. She is recognised as the industry leader and has advised on many of Australia's largest deals, including Amcor's merger with Bemis, Westfield's merger with Unibail-Rodamco, Iron Mountain Inc's merger scheme with Recall Holdings Ltd, TOWER's merger scheme with Dai-ichi Life, BHP's bid for Rio Tinto, Wesfarmers' merger & demerger with Coles and Colonial's merger with CBA. As founder and CEO Maria brings proprietorial focus and commitment to every client mandate.



Steve Hodkin, Head of Listed Client Services, Boardroom Pty Ltd

Steve is the Head of Listed Client Services division at Boardroom Australia, which includes registry management of Boardroom's 300+ ASX Listed clients, as well as oversight of the Meetings Services team. With a background in investment banking operations and Australian stockbroking back and middle office functions, Steve made the switch to registry services in 2015 and loves the challenge of working for an innovative and pioneering business like Boardroom. He has been at the forefront of the recent uptake in Virtual Meetings services and is keen to share his views on the advantages and challenges of the solution.



Sara Drury, General Manager, Redback Connect

Sara manages the fast-growing digital events arm of Redback, which runs over 150 managed webinars monthly for corporate, government and not-for-profit customers. After joining Redback more than a decade ago, she works closely with sales, marketing and delivery to provide organisations with frictionless, seamless events that take the stress out of their online programs and increase the overall production quality. Sara works closely with Australian and New Zealand organisations to help plan, deliver and execute virtual conferences, meetings, learning programs and investor relations events.



Moderator: Nina Dunn, Director of Marketing, Morrow Sodali

Nina has over 16 years of professional experience working in the financial industry. Prior to joining Morrow Sodali, Nina worked as Senior Marketing Manager for Wilson Asset Management, a boutique funds management company specialising in listed investment companies. Previously, Nina worked at Ellerston Capital as the Manager of Marketing and Investor Relations, marketing nine unlisted funds and two listed investment companies managing over \$5 billion in FUM. Nina started her career in the financial industry working for Select Asset Management, a boutique alternative investment company where she worked for over 11 years. Nina has a Bachelor of Arts (Business) from the University of Sydney and a Graduate Diploma of Financial Markets from the Financial Services Institute of Australia (FINSIA)..