MEDIA RELEASE

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PROXY ADVISORS MAKING FACTUAL ERRORS IN AGM REPORTS: FINDINGS FROM SURVEY OF MAJOR LISTED COMPANIES

- **ONE-THIRD OF ASX200 RESPONDENTS TO THE SURVEY REPORTED ERRORS IN PROXY ADVISOR REPORTS ABOUT THEM**
- **AIRA AND THE GROUP OF 100 (G100) REPEAT THEIR CALL THAT LISTED ENTITIES BE ABLE TO FACT CHECK DATA HELD BY PROXY ADVISORS**
- **94% OF RESPONDENTS SAID THEY WANT TO FACT CHECK THE DATA BEFORE RELEASE**
- **COMPANIES WANT CONSTRUCTIVE ENGAGEMENT WITH PROXY ADVISORS TO ENSURE SHAREHOLDERS RECEIVE BEST POSSIBLE ADVICE**
- **URGENT NEED FOR A VOLUNTARY CODE OF PRACTICE TO IMPROVE ENGAGEMENT AND PROXY REPORTS**

Leading ASX listed corporations revealed today the large number of factual errors being made in proxy advisor reports in a survey released by the Australasian Investor Relations Association (AIRA). These reports can critically influence votes cast by major institutional shareholders.

A significant number of ASX200 companies that responded to the survey on proxy advisors and engagement practices identified one or more factual errors in the most recent proxy reports published on their companies.

83% of respondents have a 30 June financial year end, so most of those errors occurred in proxy reports related to the current AGM season.

Each of the four leading proxy advisory firms – Institutional Shareholder Services (ISS), CGI Glass Lewis, Ownership Matters and The Australian Council of Superannuation Investors (ASCI) - were named by respondents as making important mistakes.

The survey received responses from 52 listed companies, 46 of which were in the ASX200. A significant one-third of those ASX200 respondents reported errors in reports written by proxy advisors on them.

AIRA's chief executive, Mr Ian Matheson, said today: "This is the first survey to quantify the extent of the problem that many of our members have been complaining about in their interactions with proxy advisors. It shows that one-third of the 52 respondents complained of one or more significant mistakes.

"Proxy advisors play an extremely important role in critically analysing proposals put to shareholders by companies. Companies therefore want to ensure that the analysis is factually correct before it goes out. This is not about differences on matters of policy," Mr Matheson said.

"Companies want to work with proxy advisors in a constructive way to ensure that shareholders are getting the best possible advice on voting matters. It should be in al parties' interests and, indeed, for the integrity of the capital markets, for proxy reports to be factually correct."

AIRA recently called on all parties to adopt its initiative for a voluntary Code of Engagement to improve interaction between proxy advisors and listed companies.

Group of 100 (G100) CEO, Mr Stephen Woodhill said, "we remain committed to supporting the valuable role proxy advisors play but our members are increasingly frustrated by matters like those raised in the AIRA research and we continue to seek a voluntary code of conduct for proxy advisors to bring stronger alignment and consistency."

The survey also gives details of the specific areas where the errors are being made in proxy reports.

Respondents cited a number of examples where these factual errors were made, including for misunderstanding long-term incentives in remuneration reports; in business portfolio changes; their understanding of normalised profit frameworks; incorrect year-on-year comparisons of key financial metrics and incorrect details of shareholder approvals already in place.

Comments made by respondents outlined some other important issues.

They included a difficulty to arrange meetings with one or more of the proxy advisors that cover their companies; evidence of errors in reports, but no corrections made even when those errors were drawn to the advisor's attention; and that proxy advisors in some cases were encroaching into areas traditionally covered in stockbroker reports, indicating that some level of regulation may be required.

Mr Matheson said proxy advisors needed to heed the concern of major listed companies and allow them to check the factual accuracy of their data before publication. This should now be possible given that most major companies release their annual reports including the remuneration report at the same earlier time as their full year results.

CGI Glass Lewis was the only proxy advisor identified in the survey as correcting any reports, while the other three advisors did not correct any. When asked whether they would like to correct any factual errors prior to publication, 94% of companies said yes.

"AIRA would like to see a re-examination by the Australian Securities and Investments Commission to determine whether the carve-out that proxy advisors currently have in their AFSL licenses for general proxy advice is appropriate.

"All proxy advisors have AFSL licenses, but that only covers financial advice and not the vast majority of the other advice on resolutions at AGMs that they generate. It might be time for that to change."

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OTHER KEY FINDINGS:

- The vast majority of respondents had one or two meetings with each proxy advisor ahead of their most recent AGM;
- September was the busiest month for meetings with proxy advisors, followed by August, October then June;
- 38 factual errors were noted by respondents, but only two had been corrected when reports were issued;
- Asked if respondents would like to correct any factual errors, 94% said yes;
- The representatives of companies most commonly attending those meetings were the Chairman, IRO and/or a Board Committee Chair.

Ends

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About AIRA

The Australasian Investor Relations Association (AIRA) was established in 2001 to advance the awareness of and best practice in investor relations in Australia and New Zealand and thereby improve the relationship between listed entities and the investment community. The Association's 160 corporate members now represent over **A$1.2 trillion** of market capitalisation, over 80% of the total market capitalisation of companies listed on ASX.

About The G100

The G100 is Australia’s peak body representing Chief Financial Officers and senior finance executives from the public and private sectors. The G100 contributes to the development and delivery of policy as it applies to business regulation, governance, financial reporting, taxation and capital markets. It advances the interests of Australian business encouraging conditions that allow private and public enterprises to grow and compete in today’s highly competitive environment. Members, and the major enterprises they represent, come from publicly listed and private companies, international companies working in Australia, as well government departments and agencies.