



**Australian Foundation**  
INVESTMENT COMPANY

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26 June 2008

Mr Tim Sheehy  
Chartered Secretaries Australia  
Level 10, 5 Hunter Street  
SYDNEY NSW 2000

Dear Mr Sheehy,

We are writing in response to your invitation to comment on the role and functions of Annual General Meetings (AGM's) in relation to the discussion paper released by Chartered Secretaries Australia.

Australian Foundation Investment Company Limited (AFIC) has over 85,000 shareholders, virtually all of whom would be regarded as retail investors such as private individuals, superannuation funds and not for profit entities. We have almost no institutional shareholders. However, we are ourselves a significant shareholder in the many of Australia's major listed companies. This gives us a unique perspective on the attitude of shareholders towards AGM's.

As a listed company we hold our AGM's in September/October each year. After that meeting we conduct Shareholder Information meetings in a number of the State capital cities. In March we hold a further series of Shareholder Information meetings in the remaining capitals, following the announcement of the half-year results.

Our experience has been that shareholders prefer to attend our Shareholder Information Meetings (rather than the AGM's) where they can find out more about the Company. At these meetings there is time for shareholders to ask the Board and management wide ranging questions about the Company and what we are doing. To give you an indication of the shareholder response, at our AGM on 2 October 2007 in Melbourne, 391 shareholders attended. At our Shareholder Information meeting in Melbourne on 11 March 2008, 750 shareholders attended.

In general, many shareholders seem to be annoyed or "put off" by the requirements of the AGM which deals with a raft of matters which do not necessarily relate to the running of the business, and seem to take an inordinate amount of time. Examples would be dealing with the remuneration report, board elections and changes to the articles. While it is important to process such matters, the ability for lengthy time to be taken on these matters and the grandstanding which often occurs, subtracts substantially from the time available to deal with more relevant and interesting matters about the Company's activities.

As an institutional shareholder we rarely attend AGM's. We find there is little opportunity for institutional shareholders to gain value from AGM's because most of the meeting is taken up with the procedural requirements and there is not a great deal of opportunity to glean interesting new insights on the Company's strategy, operations, risk and performance.

While we appreciate that many companies may not wish to invest the same amount of time as AFIC in Shareholder Information meetings, we do believe there is a need to reform the AGM process to satisfy the wishes of the majority of shareholders to spend more time finding out about the Company's business activities.

The key is to provide ordinary shareholders with enhanced opportunities to find out more about the entities in which they have invested their capital.

One way of doing that is to split the Annual General Meeting into two separate meetings. The first meeting would deal with the statutory requirements for which votes are required. This could be enhanced by giving shareholders who do not attend, direct voting rights rather than using the current proxy system.

There could then be a second meeting held on the same or different day which could be devoted to providing shareholders with information about the Company's activities, and giving them the opportunity to ask questions about those activities.

In its discussion paper Chartered Secretaries Australia floated the idea of keeping the voting on resolutions submitted to an AGM open for some time after the meeting. We would not support this view because of the uncertainty that creates for the company. Other matters and influences may be brought to bear after the AGM which the company may not know about or be able to adequately respond to. The purpose of having a statutory meeting is to provide a mechanism which ensures that a result is obtained with finality. This encourages all relevant matters to be raised prior to or at the meeting and gives all parties a fair opportunity to be heard and then for the matter to be decided with certainty. However, we strongly endorse moves to improve shareholder engagement with companies. We feel this could be encouraged by the adoption of the direct voting system for shareholder votes rather than the more cumbersome and remote proxy system.

We would be happy to expand on this submission further if it would be of assistance.

Yours sincerely,



*Ross Barker*  
Managing Director