

# Rethinking the AGM

## A Discussion Paper

### Submission by Commonwealth Bank of Australia

#### General Comments

Commonwealth Bank currently has approximately 736,500 shareholders. A rough analysis of the composition of the share register would indicate that retail shareholders have 57% of the register by value and represent 99% by number.

Personal attendance by shareholders at the Bank's AGMs has been gradually declining. At the first AGM in 1991, 1,700 shareholders attended: 1,055 attended the 1995 meeting and 630 attended the 2007 AGM. However, when proxy votes are taken into account, shareholder participation remains reasonably strong, with proxy votes representing approximately 35% of total shares on issue being lodged at the 2007 AGM and 0.09% of shares being represented on the floor of the meeting.

The Commonwealth Bank Group undertakes a comprehensive program of disclosure to the market and its shareholders including annual and half yearly profit announcement, quarterly updates, annual report, shareholder review, shareholder newsletters, comprehensive website including ASX announcements, analyst briefings and webcast facility for AGM's and all major announcements.

The Group's practice is to encourage shareholder engagement in connection with its AGM's by:

- issuing a notice of meeting drafted in clear, easily understood terms;
- having meetings with key stakeholders prior to the AGM with particular focus on the ASA, governance advisers and a cross-section of institutional shareholders; and
- sending forms to shareholders encouraging them to provide questions to be put to the AGM.

The Group's experience is that all Board-proposed resolutions have been strongly supported by its shareholders.

There is no evidence to support the proposition that separating the 'deliberative' from the 'decision-making' functions of the AGM would increase shareholder engagement.

It is the Group's experience that the engagement model outlined above results in shareholders being appropriately informed of developments and provided with the opportunity to give comment on shareholder issues and hold the directors accountable.

The proposal put forward in the paper is opposed on the basis that:

- it is likely to add further complexity and cost to the governance processes of companies for no measurable shareholder benefit;

- it is foreseeable that shareholders would be disengaged by further separating the meeting discussion from the voting outcome; and
- further legislation would need to be considered to address the situation of information coming to light between the time of the meeting and closing of the voting if that information could affect the matter being voted. Needless to say, this would further complicate the arrangements for company meetings.

## **Specific Questions**

### **1. Separation of deliberative from the decision making function**

We can see no benefit in the proposal and no evidence that the separation is likely to improve shareholder participation and engagement. For the reasons outlined above, there is concern that further complexity and expense is likely to further reduce shareholder participation.

The move by an increasing number of companies to direct voting allows an opportunity for a general encouragement for shareholder participation by companies.

### **2 Period for Polls**

For the reasons referred to above, this proposal is opposed.

### **3 Method of mandating the proposal**

For the reasons referred to above, the proposal is opposed.

### **4 Announcement of Proxies**

The Group's practice is that proxies received prior to the meeting are announced to the meeting following discussion on the relevant resolution but before the casting of votes. However, this timing should be a matter for individual companies to consider in their own circumstances, and should not be mandated.

### **5 Expectation for Webcasting AGM's**

The decision to webcast should be a matter for individual companies to consider based on cost involved and likely benefit. From the Group's experience, levels of access to AGM webcast are very low, both live and following the meeting. Despite this the low level of participation it is the Group's current intention to continue to provide shareholders with the convenience of access via the web. The group does not believe that the provision of webcast should be mandated.

### **6 Minimum time for discussion of resolutions**

Matters relating to the conduct of meetings, including discussions on resolutions, should properly be left to the chairman of the meeting. It is neither practical nor appropriate to mandate a minimum discussion time.

**7 Extension of the statutory period for holding AGM**

Given that the proposed extension by one month would allow meetings to be held in December (with the consequent clashing with pre-Christmas functions for venues), there is little benefit seen in this proposal

**8 One size fits all approach for AGMs**

Given the significant differences in the size and nature of publicly listed companies, it is considered that the best approach is to maintain high level regulation and principles-based governance. To attempt a detailed mandatory framework is likely to create unnecessary complexity and cost with little corresponding shareholder benefit.

**9 Directors on dais and Committee Chair reports**

These are best matters left for individual companies to assess and determine. The Bank has adopted the approach of having only the Chair, CEO, CFO and Company Secretary on the dais and all other directors seated in the audience. The chairs of Audit Committee and People & Remuneration Committee sit at the dais for the discussion of the financial results and the Remuneration Report respectively and are available to respond to shareholder questions. This approach appears to have been well received by shareholders.

**10 Directors standing for re-election responding to questions.**

Again, this should be a decision for individual companies. The Bank's practice is to ask directors standing for re-election to address shareholders at the meeting and allows questions to be put to them, through the Chairman.