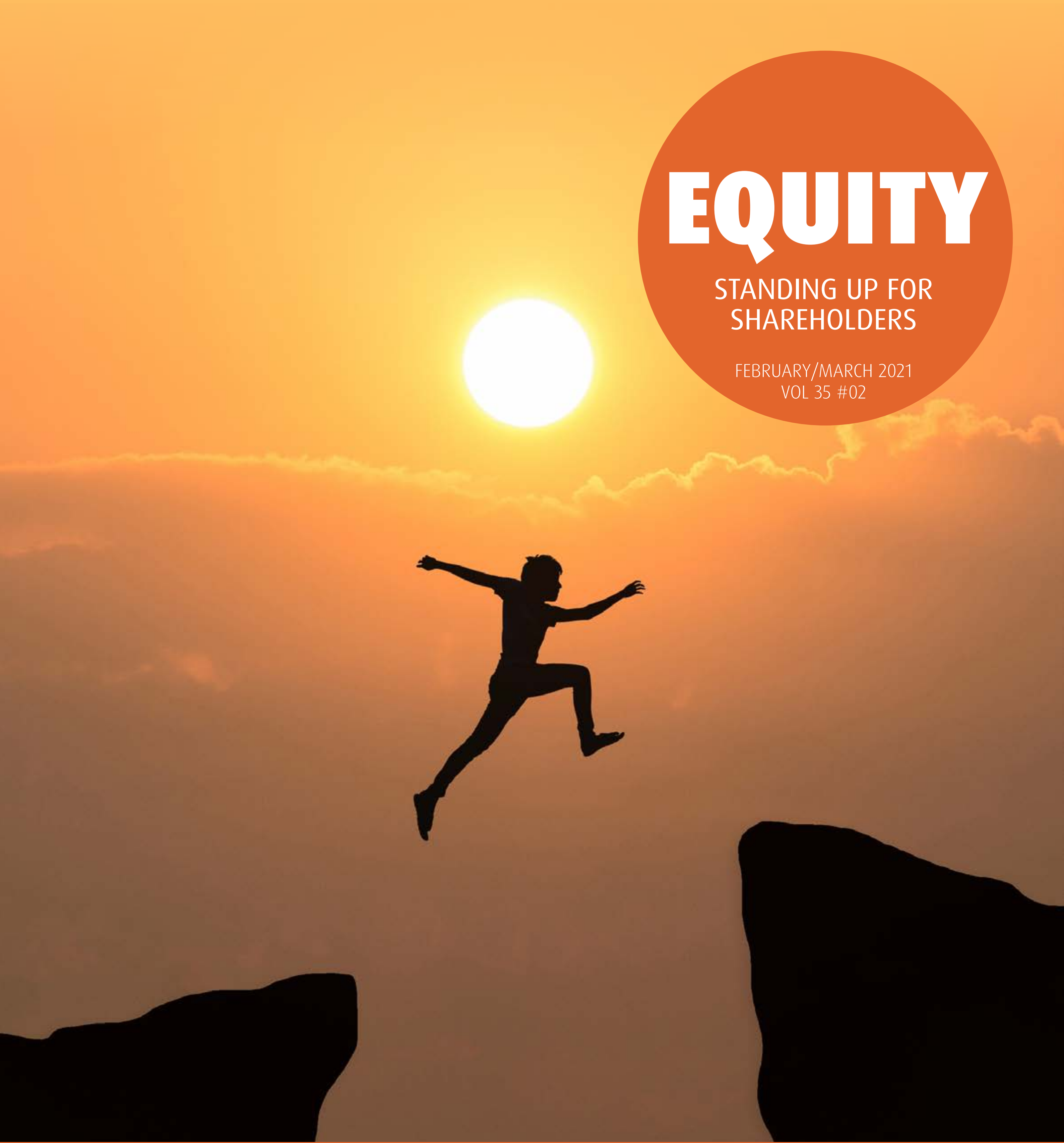

EQUITY

STANDING UP FOR SHAREHOLDERS

FEBRUARY/MARCH 2021
VOL 35 #02

Will the Australian economy fall off the fiscal cliff?

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FEB/MAR 2021 CONTENTS

VOL 35 #02

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FROM THE CEO

By John Cowling

When I discuss rebuilding my watch list, which I did over the summer break, I must first make a point about financial advice and ASA. Most of our subscribers are members of the ASA for the very reason that they have an opinion about the stocks in which they invest. And they know:

- ASA doesn't hold an investment license;
- everyone's risk appetite risk is different; and
- everyone's circumstances are different.

So, you have to do the hard yards yourself or get an adviser to do it for you.

But we can help by providing education about investing and information on individual stocks. This occurs here in *Equity*, at member meetings, during webinars and podcasts, and at conferences. When we discuss stocks and investing strategies, we expect members to do their own due diligence before buying any stocks. And, of course, if you're not sure what to do — seek expert advice.

The same applies when we make financial products available to members at special prices. We don't endorse any commercial products or companies. But we do want to help members gain "special deals" if we can. But it's up to you to check that these products and the deals are right for you.

There is a well-known saying that "A fool and his money are soon parted".

That's why I'm a fan of Martin Roth and his annual series, Top Stocks. Martin takes the top 500 ASX listed companies and applies four main filters to reduce the list down to a manageable size. These are:

1. The company must be listed for at least five years (so it has a proven track record).
2. It must have made a profit and paid a dividend for five years or more.
3. It must earn a return on equity of at least 10% in the most recent financial year.
4. It must not have excessive debt — in fact no more than a 70% debt to equity ratio.

Therefore, each edition of *Top Stocks* contains some new entries and omits some previous entries. In fact, for the 2021 edition (which contains 90 companies), 28 companies on the previous year's list failed to meet the hurdles, whereas 13 new companies have joined the list. So, although Martin has done much of the research needed to identify stocks to consider investing in, you still have more to do.

My objective in using *Top Stocks*

I'm constructing a watch list of 10 stocks with reliable fundamentals that have the potential to grow by 15% p.a, so I can double my money over a five-year time horizon. This includes reinvesting any dividends received from the company.

First, I watch the 10 companies to learn more about them, and when the time is right possibly buy them. But just because the stocks are called "top stocks" doesn't mean I will buy them all, as the price might not be right. We will look at the pricing issue in later issues of *Equity* — determining what is the "right price" for me to buy each stock.

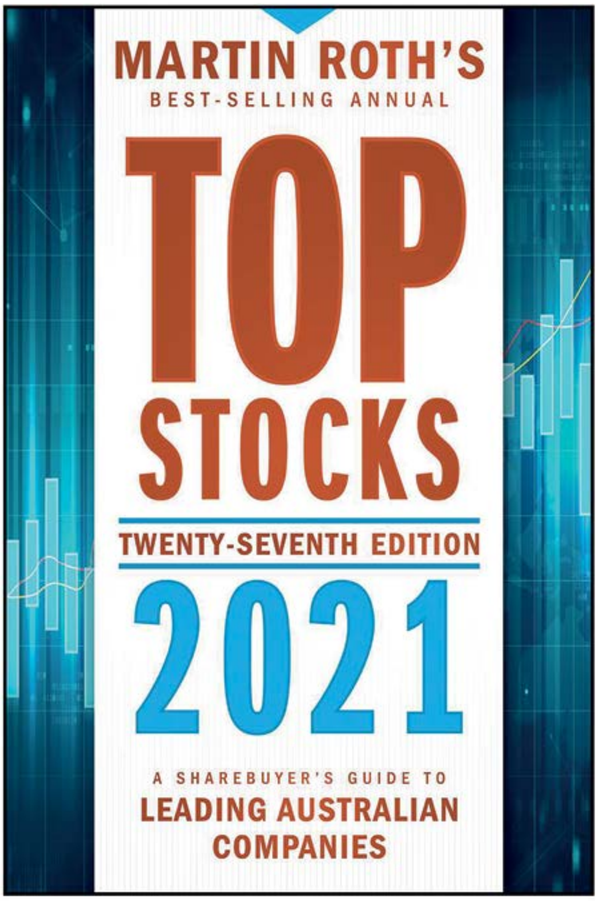
Second, I'm prepared to select stocks from Roth's list, because the fact they passed his four hurdles makes me happy that the risk of the companies going broke and me losing my whole investment is remote. The shares might go down in value, but that will partly depend on the price I pay.

Third, I look at which stocks on Roth's list are already in my portfolio. I'm happy to say I already have 11 in my investment portfolio, leaving 79 companies from Top Stocks to select a manageable watch-list where I like the story behind the stock. We know from recent experience that somewhere between 10% to 20% of the top stocks will not meet expectations and will be dropped off the list next year, so I need to be careful and dig deeper before I buy.

Here's my watchlist for 2021:

1. **Adbri (ABC)**: a cement business with the Chairman Raymond Barro as the major shareholder (43%), with a long-term vision for the business and a major upgrade of WA facilities underway. Owner-run businesses generally have solid long-term track records and steady dividends. The 10-year TSR is around 5% p.a.
2. **Alumina Limited (AWC)**: owner of 40% of Alcoa World Alumina & Chemicals, a global alumina producer. Although this is another commodity company and subject to cycles, the product, like cement, is an essential element of most economic development. Five big investment houses hold some 43% of the shares in this long-term high dividend yielder, which says something. The 10-year TSR is 20% pa.
3. **Beach Energy (BPT)**: another South Australian commodity company — this time in oil and gas exploration, development and production. Straw hats in winter? This company has undergone change over the past five years which is reflected in the five-year TSR of 40% p.a.
4. **Clover (CLV)**: selling more than half its nutritional supplements to overseas markets. With infant formula legislation as tailwinds, it's no wonder this omega 3 producer has WH Soul Patterson has a major presence on its share register. It is another long term and steady shareholder-influencing strategy for this global Aussie company. The share price is some 50% off its 2019 peak, due to concerns about the baby formula market in China, but even at this reduced price it still shows a five-year TSR of 42% p.a.
5. **Evolution Mining (EVN)**: a gold producer with a fabulous five and 10-year TSR performance (32% p.a. and 15% p.a. respectively). It has a great management team and the big investors in the company are Blackrock, Australian Super, Vanguard and Van Eck. It also has a reasonable yield.

From the CEO - Continued



6. **Hansen Technologies (HSN)**: This is a niche software as a service (SaaS) company that provides billing systems for energy, gas, water, pay TV and telecommunications companies. It is pursuing a high growth strategy globally and is already in 80 countries, and although there is some implementation risk from such expansion, it could develop into a major global company. The five-year TSR is a modest 2% p.a, so this one needs more research.
7. **Infomedia (IFM)**: another niche SaaS company providing electronic parts catalogues for the automotive industry globally. Already operating in 186 countries, this is another small Aussie company with a global presence and a five-year TSR of 24% p.a.
8. **Mineral Resources (MIN)**: is a multifaceted mining company providing mining services, iron ore, lithium and gas. With ambitious plans and an annual report with photographs that look more suitable in coffee table art book than in a mining company's financial statements. This company, whose share price has doubled over the past year, is firmly on my watch list, and has a five-year TSR of 65% p.a.
9. **Pro Medicus (PME)**: is yet another niche software company providing (often but not exclusively SaaS) medical imaging software services for radiologists and clinicians. Global in reach with a sticky customer base, this company is building a strong record of success in the USA. Although the PE ratio is 130 and the stock is selling on a multiple more than 60 times sales, this is an interesting stock to watch. The track record is good, with a five-year TSR of 61% p.a. How long can this go on?
10. **Select Harvests (SHV)**: is another commodity company, this time almonds. It is one of the world's largest vertically integrated almond companies. The health benefits of eating almonds presents strong tailwinds. Obviously susceptible to harvest cycles, the future demand from Asia and the Middle East should provide growth. The five-year TSR is a modest 4%, and on the surface this looks cheap. But more research is necessary.

My friend Jess Wright from Sharesight has helped me with a free 10-share portfolio platform to follow these stocks, and I will share the success or otherwise of these 10 stocks with you in future issues of Equity as the year progresses. You can sign up for a free Sharesight 10-stock portfolio platform by going to: sharesight.com

Remember, this is *my* watchlist, and if you decide you want to acquire any of these shares, please do *your own* research first. It's your money, your risk, so it's your responsibility.

I'm not investing in any of these stocks just yet as there is still more to discover about each stock before I do. But I will share what I find out and what stocks I buy, and I welcome any contribution members might make from their knowledge of these companies. It's an investment journey I'm looking forward to and should help members understand the risks and rewards of using a systematic and research based approach for discovering and acquiring shares using the "Top Stocks" list. E

More cracks are appearing in Chinese credit

By Jonathan Rochford, Portfolio Manager, Narrow Road Capital

Investing in Chinese debt used to be easy. Chinese bonds and loans almost never defaulted, and when they did there was almost always a government bailout. Recent years have seen a bunch of precedents set as large companies, and then state-owned entities, were allowed to default and inflict losses on creditors. November 2020 was a turning point that saw three more state-owned entities default, including one that was "AAA" rated. Added to that was the announcement of a full write-off of almost $1 billion of tier 2 (subordinated) bonds issued by Baoshang Bank, a regional lender with $84 billion of assets. The shock of these events led to a pullback in bond prices and the cancellation of dozens of new issues as investors came to grips with a new paradigm. 2021 has kicked off with a mini wave of defaults on offshore bonds issued by Chinese companies, pointing to this trend accelerating.

Whilst the above-mentioned events may have been unexpected for many Chinese investors, they aren't a surprise for China watchers with a basic credit understanding. One of the best is Dinny McMahon, author of China's Great Wall of Debt. It is a fantastic book detailing the weak foundations of China's economic boom and how it has managed to avoid an emerging market debt bust so far. I highly recommend Dinny's book and wrote a review of it in 2019, entitled "Reflections on Dinny McMahon's Book on China's Great Wall of Debt".

Dinny was a guest on a Bloomberg webinar in November and he provided an excellent update on Chinese credit. China's banks have been increasingly writing down more of their loans, but the pace of the write-downs isn't sufficient to keep up with the creation of new bad debts. Chinese banks are now hitting several hurdles, with the usual buyers of bad loans near capacity and the ability of the banks to raise additional equity to cover the bad loan losses severely curtailed. Local governments have had to step in to rescue local companies and banks, but this merely passes the problem to a local government entity that is itself likely to end up in financial difficulty.

The default of a "AAA" rated borrower also isn't a surprise; the value of ratings from Chinese credit rating agencies has been compared to the value of used toilet paper. One rule of thumb has been that companies rated below AA+ by Chinese rating agencies are of dubious quality, roughly akin to a western credit rating of below BBB- (sub-investment grade). The fact that these two markers of credit quality (AA+ versus BBB-) are eight notches apart speaks volumes of the overt inflation of credit assessments in China. It's a bit like the "every child wins a prize" mentality creeping into sports and academics in western countries.

Another worrying and reoccurring aspect to Chinese credit are rapid collapses of borrowers following the discovery of systemic fraud. A simple but effective strategy of short sellers has been to check whether a listed company with major operations in China carries on business at its stated locations and whether the amount of traffic flowing in and out is consistent with the revenues booked. Far too often, the offices are empty or occupied by others and traffic levels are nothing like what they should be. This sort of blatant fraud should be easily picked up by the auditors, but the quality of audits conducted in China has long been suspect.

In many ways there's nothing new here, but this is another reminder that investing in China isn't something to be taken lightly. Whilst there are enormous opportunities in a rapidly growing (for now) market, there's also a fundamental lack of developed market investment infrastructure and norms.

For credit investors this is particularly lethal, as a handful of rotten apples poisons an entire portfolio. Lenders are increasingly coming under duress from busted companies, governments and bankruptcy proceedings which don't respect standard lender rights, particularly for foreigners. Whilst China has managed to postpone a credit bust for far longer than other emerging economies, recent developments might be the start of the long overdue reckoning.

Australia is particularly exposed to the potential of a deep downturn in China. Our miners, universities and tourism operators all have a heavy reliance on Chinese demand. Many assume that China will continue to have a high level of growth, underpinning these industries for decades to come. However, the foundations of Chinese growth are weak, with soaring debt levels, increasing government intervention in private enterprise, demographic changes and poor capital allocation all set to be headwinds in the next decade.

The Chinese miracle, as poor citizens leave rural areas and become middle class earners and spenders in cities, is not a guaranteed source of future demand. The wealth and jobs that depend on the booming real estate, infrastructure and construction sectors will eventually reach their limits. China will need to pivot its economy away from these internal sectors to export-orientated sectors, a very tricky task in a world that often views China as a hostile trading partner. Like all good things, the Chinese growth story will eventually come to an end.

Economy won't fall off the fiscal cliff

By David Bassanese Chief Economist, BetaShares

What happens when the music stops? Amid all the recent good economic news in Australia, one thought keeps nagging in the minds of many worried investors, households and businesses alike.

What happens when the Federal Government's extensive fiscal support through the JobKeeper and JobSeeker payments is finally cut off?

Will we see a sudden surge in unemployment? Will some of these increased payments — which made their way into the stock market — suddenly be yanked back, undercutting the market's impressive rise in recent months?

How will many of the lower income — and particularly youth — employees fare, especially in areas such as tourism and hospitality which have been most cruelly affected by the COVID crisis?

My answer, in the main, to most of these understandable questions has been to urge calm. Mid-way through last year, similar concerns were raised when the fiscal supports were initially planned to end. As it turned out, the programs were extended — albeit with somewhat reduced payments. The economy meanwhile hardly missed a beat, even as millions dealt with reduced payments and many lost their payments altogether.

The reality is that the economy was strong enough to withstand some reduction in fiscal generosity late last year, and is even better placed today to withstand the likely replacement of the current system with more targeted industry support.

Importantly, however, if it turns out that the COVID crisis takes another turn for the worse and the economy is vulnerable in a few months' time, I suspect the Federal Government can and will easily extend the current programs once again. Of course, the fiscal cost of these programs is huge, but with interest rates incredibly low, the Government is at least able to lock in very cheap financing. The Government also likely figures the economic cost of not extending the support could ultimately be even higher.

As for the stock market, I suspect the sum of the fiscal support that did make its way into shares was relatively small — at least compared to the bigger fundamental drivers that have been most responsible for the strong market rebound since the late-March lows. Compared to rock-bottom interest rates, equity valuations aren't excessive, and earnings appear to be staging a solid bounce back.

Indeed, before we get too worried about the end of the fiscal largesse, we need to appreciate why the Government is even thinking of it. Ending the crisis-induced payments is ultimately a good sign — as it suggests the crisis itself, at least for the vast bulk of Australians, is coming to a close.

Consider this: of all the letters bandied about last year to describe the likely post-COVID recovery in the economy, the most hopeful, but the one considered least likely, was a "V".

Yet almost one year on from the greatest economic shock to the country since the Second World War, it's hard to be believe but the much-derided V-shaped recovery appears to be well in train.

In February last year, when the scourge of COVID was yet to hit Australia, the unemployment rate was 5.1%. But by July, the official estimate had surged to 7.5%. And allowing for the millions being artificially supported in their jobs via the JobSeeker payments, the underlying unemployment rate likely peaked at closer to 15% earlier last year.

Yet the recently-released December labour force report estimated the official unemployment rate has already dropped to 6.6% — and it averaged 6.8% over the December quarter. As recent as its November Statement on Monetary Policy, the Reserve Bank had expected the unemployment rate would average 8% last quarter.

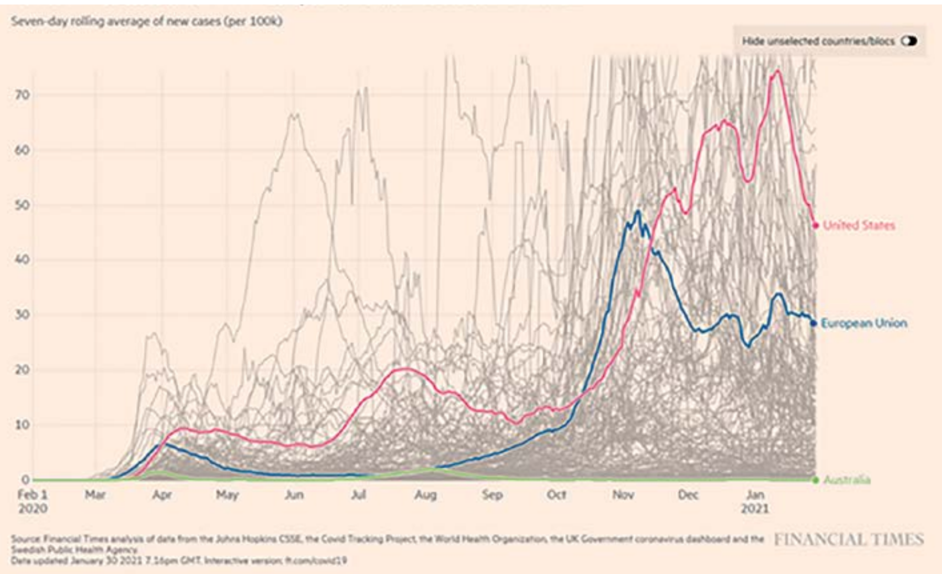
In its May Statement last year, the Reserve Bank's base case scenario was for the unemployment rate to average 9% last quarter. And only in its best-case scenario did it think it possible that the unemployment rate would drop to 6% by the end of 2021.

Yet that expectation now appears quite achievable.

How did such a best-case scenario come about? First and foremost, Australia has done better than most Western democracies in containing COVID's spread. We've undertaken lockdowns where and when required, without much push-back. And our willingness to close both external and internal borders when deemed prudent stands in stark contrast to the fairly free flow of people seen across most of Europe and the United States. Our contact tracing and hotel quarantine systems — while not perfect — have been among the world's best.

Australia has handled the COVID crisis very well by global standards

New confirmed cases of Covid-19 in European Union, United States and Australia



Importantly, this containment has allowed economic activity within state borders to recover reasonably well, and has avoided the need for repeated nation-wide or even state-wide lockdowns of the type seen in March last year.

Of course, major macro-stimulus and a 'Team Australia' approach within the banking sector has also been important.

The JobSeeker payments, initially up to $1,500 per fortnight, for employees in businesses that could reasonably project at least a 30% annual decline in revenue, helped avoid widespread labour market dislocation as well as a collapse in confidence and household incomes. And for those still facing unemployment, the JobSeeker supplement initially boosted welfare recipient income by $275 per fortnight.

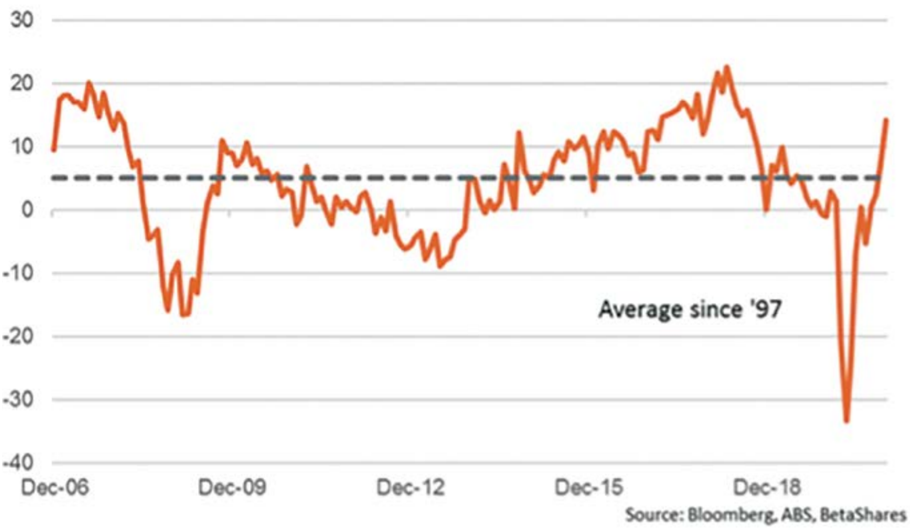
Widespread forced selling of properties was also avoided by a mortgage repayment reprieve given to most homeowners who wanted one. House prices nationally only dipped by around 5% and have already started to rise in recent months.

Of course, the Reserve Bank has also done what it can — even though the official cash rate, at 0.75%, was already quite low when COVID struck. The Reserve Bank progressively slashed that rate to a threadbare 0.1% in November, and has also helped push down longer-term borrowing rates through a government bond buying program, and helped banks keep credit flowing to businesses in need.

Helped by all this support, households have also done their part. Far from letting caution get the better of them, consumers have displayed a remarkable willingness to go out and spend where and when they can. Retail spending — at least in the areas that have been open — has boomed. And a still high household savings rate — due to the surge in fiscal support — means there's a cash buffer to be spent in the year ahead.

Business conditions have bounced back strongly in recent months

NAB Business Conditions



Even business has displayed an admirable willingness to take on staff — evident from the strong bounce back in employment. Indeed, of the 874,000 loss in jobs by end-March (as officially estimated at least), around 784,000 — or 90% — had been recovered by end-December. Of course, there are more working part-time than before the crisis, but overall aggregate weekly hours worked are nonetheless almost back to pre-COVID levels.

But ultimately the best news has been the arrival of several viable vaccines late last year — well ahead of even the most optimistic assessments.

Looking forward, the durability of the recovery is crucially dependent on the timely and successful rollout of vaccines. But as with much of what we've done this past year, Australia also seems well-placed to manage this process.

For those still left behind — especially those hardest hit in the tourism sector — I suspect the Government will eventually unveil more sector-specific support. What's more, assuming we can at least keep our state borders open over coming months, I anticipate a "Team Australia" surge in domestic tourism could well be at hand. E

Six lessons from the Gamestop saga

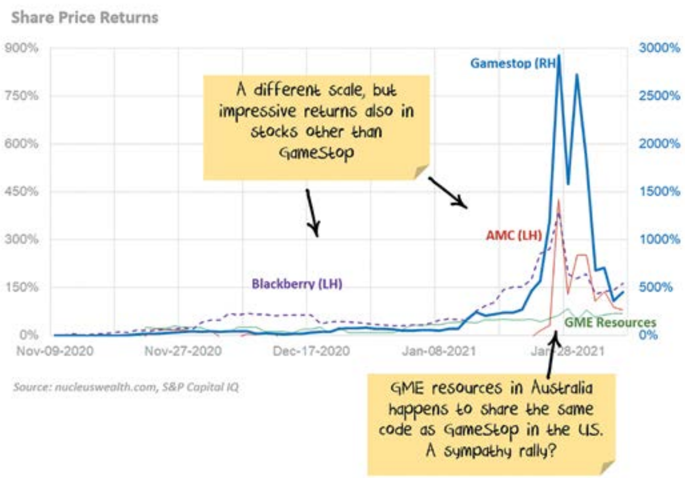
By Damien Klassen, Head of Investments, Nucleus Wealth

Quick background

The wallstreetbets forum on Reddit spawned several short squeeze raids on stocks. The highest profile was Gamestop, where hedge fund short sellers lost billions, and individual investors made (and lost) millions.

The concept of a short squeeze is not new. The new part was the organisation of thousands of small investors to participate. Also, some sophisticated manipulation of the options market added to the upside.

The poster-child short squeeze target was Gamestop. But there were plenty of other companies with similarly poor fundamentals and an excess of short-sellers, making them vulnerable.



Lesson 1. Short-sellers: fundamental problems?

Has this episode illustrated the fundamental problems with short selling? Yes. But these issues have always been there.

Short selling is different from buying a stock:

- When an investor buys a stock, there are no further obligations. They cannot lose any more. If the stock goes down, it becomes a smaller weight in the portfolio and, therefore, less of a problem.
- When an investor shorts a stock, they promise to return the stock in the future. The investor needs to post collateral and can lose significantly more. If the stock goes up, it becomes a bigger weight in the portfolio and therefore, more of a problem.

I think of investors as being price-sensitive or not; ie, does valuation matter or is it only the story? For a short-seller, the price-insensitive investor is the enemy:

- A value investor might have bought Gamestop at $5 with a bullish thesis. But at $20 they are likely to be selling. At $400, the value investor is long gone.
- For the price-insensitive investor, there is little difference. For some, they are more likely to be buying at $400 because the price rise has "proven" the story.

The Reddit crowd (despite the ringleader calling himself deepf#$%ingvalue) have clearly been price insensitive. Shorting usually reduces volatility as it provides a counterbalance to price-insensitive buyers. But, at certain levels, it reverses and makes the volatility exponentially higher.

For example:

- Say we add a new price-insensitive buyer and add a new short seller. Their positions cancel. The stock price doesn't move because there are no shares needed.
- However, if we add 50 new price-insensitive buyers, the stock price is forced up. Then some of the shorts need to buy back their positions to reduce risk. Which forces up the price even further.

The net effect is the potential threat of future flash-mobs will change behaviour for short-sellers.

Short-selling: likely trends

Shorting illiquid stocks will be significantly curtailed for risk reasons. There will be fewer shorts. Crowded shorts will be less likely. There will likely be outflows from managers which will reduce the size of the sector. And fewer funds will likely improve returns for the remaining players.

Will this cause problems for the market? Probably not at a headline level. Most funds that are short also have stocks that they own to offset the short. These are called long/short funds. Most long/short funds will buy back their shorts on one hand while selling their longs on the other. There will be an effect on individual stocks. Often it will be low-quality stocks rising (these are the ones shorted) and higher quality stocks falling.

Keep in mind that some of this has already happened. Reports of other highly shorted stocks rising because of Reddit raids are likely only partly true. The other part of the stock price rise is likely to be short sellers closing vulnerable positions — voluntarily for risk control, or involuntarily due to withdrawals or prime broker risk measures.

Lesson 2. Options markets: exploiting flaws

Sophisticated option buying aided the share price gains. Called a gamma squeeze, it involved buying:

- deep out of the money options — these provide extreme upside to the buyer if the share price rose;
- at the money options — this forces market makers to buy shares to hedge. This action drove the share price higher.

Done in enough size, it super-charged the returns far more than buying the same dollar amount of ordinary shares.

Options market: likely trends

Pre-1987, investors were using a technique called portfolio insurance to hedge their portfolios. In the 1987 crash, it didn't work. The price of put options (which did work) become structurally higher after this event. Market makers don't like to lose money. I'm expecting structurally higher call option prices for stocks, especially for smaller less liquid stocks, and also for any stocks with considerable short selling.

This is a mild negative for the market. But probably more than offset by other factors. It will also limit the effectiveness of similar trades in the future because the perpetrators won't get as much leverage.

Lesson 3. Retail traders: when the product is free, you are the product

Many of the traders have been using "free" trading systems like Robinhood and "free" research on Reddit. The issue with free trading is that the traders using them are not the customer — the traders are in fact the product. Robinhood makes money through providing trading flows and data to hedge funds, and through stock lending.

Conspiracy theories are floating around about how Robinhood (and others) manipulated the markets. This meant their real clients — hedge funds — could exit positions. In my view, there is more credibility to the official explanation: the stocks were so volatile that counterparties demanded more collateral. Robinhood raised billions of dollars to meet obligations over a few days. Which further suggests the official explanation is the truth. But we may never know.

Secondly, some of the free research from Reddit looks awfully sophisticated. And the advice: "holding on to stick it to the hedge funds" doesn't seem in investors' best interest. Is it possible professional traders are trying to weaponise retail traders? Absolutely. If not before, then Gamestop has undoubtedly provided a template for the future. As Gamestop was squeezed up, hedge funds clearly lost a lot of money. But it will be the retail traders that have lost out on the way down.

Finally, and perhaps most importantly, this episode has "proven" trading can produce lottery-type returns, ie, the expected value of each ticket is negative, but an enormous payoff and a chance to dream is possible. It is probably going to attract new investors.

Retail traders: likely trends

Free brokerages will spend a while in the public relations doghouse, and maybe some larger clients will go to paid services. But free is free. I'm expecting the lottery ticket perception will probably mean more trading at Robinhood. Pseudonymous authors will swamp Reddit, talking their book. This "free" advice will not help the average retail trader.

We are in a liquidity-driven share price boom, which I don't think is sustainable. But there is still a lot of government and central bank stimulus. And retail investors have just been given proof of lottery-like returns. So, there will likely be more of them.

Lesson 4. Prime brokers: financial market plumbing

Prime brokers sit behind many hedge funds, providing them with the capital to trade. They let hedge funds use debt to greatly increase the possible returns. Which also dramatically increases the risks.

There are a lot of hedge funds which lost a lot of money in January. Melvin Capital lost over 50%. Risk controls at prime brokers are going to be important once again.

Prime brokers: likely trends

Prime brokers will scale back lending in the short term. This is a risk to markets if the scale-back is significant. I suspect that within months lending won't be affected that much. And the lessons learned by prime brokers will probably be:

- individual stock risk controls are more important;
- but there were no massive blow-ups to threaten the system;
- and Robinhood managed to raise a lot of money in the middle of the crisis to avert problems;
- therefore it's business as usual

I'm not sure this is the right lesson to learn. But it will probably be the lesson learned.

Lesson 5. Exchange-traded fund (ETF) composition: buyer beware

ETFs have become very large in recent years. These funds have strict rules. In episodes like these, some funds become unbalanced.

Gamestop at one point was over 22% of the SPDR S&P Retail fund. Even more concerningly, an investor in the Invesco Smallcap value fund would have received a 16%+ exposure to a single loss-making stock trading on a massive price to sales ratio. There are a lot of other examples where Gamestop became a disturbingly large holding. Buyer beware.

There is debate whether the explosive growth in ETFs is increasing volatility in prices. Sidestepping that question because it is a long answer, I will posit:

- when traders look at short interest to work out whether there can be a short squeeze, they exclude large strategic shareholders; and
- given exchange-traded funds are price-insensitive, they should be treated like strategic shareholders.

Lesson 6. Weird stuff is going to continue

Share markets are at extreme valuations on the back of stimulus, hope, retail trading debt and derivatives. Fundamental valuations are difficult at the moment which, for some, is a good excuse to ignore them. Weird stuff is going to keep happening. However, the next one won't look like Gamestop. The market has been put on notice about the dangers and is unlikely to make the same mistake again. Scratch that. It will definitely make that same mistake again, but not for a few years. The next event will be different.

The market's financial plumbing was not built for incredibly volatile day-to-day movements, extreme leverage, a host of price-insensitive buyers, and record levels of option buying. The plumbing will be tested again. I'm not expecting it to crack, but investors need to be aware that it might. When markets are no longer based on capitalism, but propped up on government and central bank support, then the biggest risk remains policy error in response to one of these tests.

The replaceable rules conundrum

By Des Moriarty, Deputy CMC Chair South Australia

"Mr Chairman, before you move on, I'd like to see the proxies," was a request from Bob Ritchie, Chair of the South Australian Company Monitoring Committee (SA CMC) at the Beston (BFC) AGM in 2019. The chair, Dr Roger Sexton, replied that the proxies would be shown later.

When polling was opened later, Ritchie repeated his request, again denied, with the chair's comment that this was common practice at AGMs. Ritchie responded, as reported in *The Advertiser* the next day, that "My experience in public companies is exactly the opposite of what you have just said."

Where then are the rules governing public company meetings and what is their rationale?

The reason to show proxies prior to a poll is well known: it allows shareholders to question why the proxies show a marked deviation from a board's wishes, leading to better informed voting.

As the conduct of the meeting was contrary to Section 250J of the *Corporations Act 2001 (Cth)*, "Before a vote is taken the chair must inform the meeting whether any proxy votes have been received and how the proxy votes are to be cast", members of SA CMC undertook further study after the meeting:

- Section 250J is one of 39 replaceable rules in the *Corporations Act*;
- Beston's constitution says, "The provisions of the Corporations Act that apply to certain companies as replaceable rules are displaced by this Constitution in their entirety and do not apply to the Company".

Table 1: Selection of areas addressed by replaceable rules in the Corporations Act

The 39 replaceable rules address, among other things, the following.

Powers of directors	Inspection of books
Appointment of directors	Meetings of directors
Termination of a managing director	Meetings of members
Remuneration of directors	Voting procedures
Terms and conditions for secretaries	Display of proxies

Standing up for the rights of shareholders in these matters requires a shared, known set of rules between management and members. However, the *Corporations Act* terms these rules as "replaceable"; they can be replaced in a company's constitution. But not only replaced, the *Corporations Act* allows them to be displaced, a word lawyers have jumped on.

The crux of the matter is exemplified in two other examples from companies' constitutions in Adelaide.

Table 2: Examples of clauses in company constitutions voiding the replaceable rules

Andromeda Metals ADN Market cap $500m	The provisions of the *Corporations Act* that apply to certain companies as replaceable rules are displaced by this Constitution in their entirety and do not apply to the Company.
Argo Investments ARG Market cap $6b	The provisions of the *Corporations Act* that apply to certain companies as replaceable rules are displaced by this Constitution in their entirety and do not apply to the Company.

None of these constitutions addresses the timing in a meeting for display of proxies. So, it seems clear the intention of inserting s 250J that proxies are to be displayed prior to a poll, has been voided. The companies' constitutions in Table 2 do cover to different extents many of the areas in Table 1, but leaves the question, at whose behest? Clearly comprehensiveness is not present.

Company governance has thus been given to management and lawyers who write company constitutions (for ratification at meetings with members). The loss of oversight through the *Corporations Act* is further intensified by ASIC's inability to intervene, as it no longer has purview. The SA CMC tested this by writing to ASIC seeking a ruling on when proxies had to be displayed at the Beston AGM. ASIC responded that it was not able to rule on such a matter, but for us to seek legal advice. Shareholders then are left in a void, having to lawyer up.

Lawyers actually come into the business when constitutions are formed. Here's how one company presents itself. "…[T]he replaceable rules are not as comprehensive and up-to-date as a company constitution drafted by a lawyer. The advantages of getting a company constitution, instead of relying on the replaceable rules, is that constitutions written by a good lawyer will be updated to current best practice and can be tailored to the requirements of your company. (https://sprintlaw.com.au/sprintlaw-q-a/what-are-the-replaceable-rules-in-the-corporations-act/)

That rationale does not conform to practice. Typically, if companies alter their constitution, it is to become up-to-date with legislation. Argo and Elders this year are examples.

So where to from here? The options are:

- ASA to study constitutions of all companies monitored and seek board support for amendments to constitutions to restore most important replaceable items, or directly pursue constitutional amendment via s 249N, but easier perhaps;
- seek legislative change requiring companies seeking to replace an individual rule to forward a draft with explanation to ASIC for its decision, so restoring objective governance oversight.

Whatever, shareholders deserve better than the disquieting silence that followed Ritchie's riposte at the Beston AGM.

New internal audit guidance released for financial services sector

By Tony Rasman with input from Peter Jones (pictured), CEO of IIA

Organisations have to manage risk responsibly. While people working within the organisation are responsible for risk management practices, it is the internal auditors who provide the final review of controls and procedures for the board's audit and risk committee.

In the *2018 Prudential Inquiry into the Commonwealth Bank of Australia* (CBA), the report stated that the three lines of defence is a "relatively simple model", but the inquiry found that the bank had not implemented the model effectively, despite a number of attempts over the years.

- The first-line roles are those providing products or services and support functions, such as HR, administration and IT, who are also responsible for managing risk.
- The second-line roles focus on the specifics of risk management, such as legal and regulatory compliance, control, quality assurance and IT security.
- The third-line role of internal audit is critical for the board of directors to be aware of, as the function is independent of management, and provides objective assurance and advice to the risk and audit committee of the board.

The Institute of Internal Auditors-Australia has released "Internal Audit Better Practice Guide for Financial Services in Australia" (Guide) containing 32 recommendations to achieve more effective outcomes for stakeholders, customers and shareholders.

The voluntary Guide sets out what is expected of internal audit so boards, audit committees and regulators alike can set their expectations.

The Guide also recommends internal auditors broaden their skills to include organisational psychology and data analytics, and are allocated sufficient resources to apply their skills "organisation-wide".

The Guide was developed by the IIA-Australia Financial Services Committee, which was established in late 2019 and chaired by Sandra Birkensleigh, a member of the Reserve Bank of Australia (RBA) board audit committee.

The committee included 10 senior internal audit practitioners from banking, insurance, superannuation, financial services and academia. ASIC and APRA were observers to the committee.

IIA-Australia CEO Peter Jones said the committee was established after a series of policy failures exposed in the Hayne Royal Commission Prudential Inquiry into the CBA, and AUSTRAC action against Westpac and CBA.

"In many instances internal audit reports were simply ignored," he said.

The recent report by an advisory panel review into the way the Westpac board handled the AUSTRAC allegations claimed that the Three Lines of Defence Model for managing risk did not always operate effectively with management of AML/CTF risk.

That report states that some individuals did not sufficiently understand, at an operational level, where their responsibilities commenced or ended and, as such, end-to-end accountability was not always clear.

The Three Lines of Defence Model has now been updated as the Three Lines Model by the global Institute of Internal Auditors. It provides greater clarity over the roles of each of the main contributors to governance and risk management, and can be applied to all organisations, not just financial services.

The new model is designed to communicate that internal audit is indispensable to governance, and without the internal audit function to provide an independent, objective, expert view, the governance process is incomplete.

The model also provides a valuable tool for the governance function emphasising roles and responsibilities rather than suggesting strict silos.

Mr Jones said the guidance recognised the importance of the new model and its application in the governance process.

"Many of these policy failures could have been avoided had the institutions provided sufficient resources, seniority to the internal audit function, and direct reporting lines to the chair of the audit and risk committee" he said.

"The Institute also carefully reviewed the lessons from the banking scandals earlier this decade. The Chartered Institute of Internal Auditors (UK) responded with a guidance document directed at banks only 'Effective Internal Audit in the Financial Services Sector' in 2013, and then revising it in 2017."

Mr. Jones noted that the UK document provided a "roadmap" to develop guidance for the Australian financial services sector, which has its unique aspects compared to the UK.

"We also recruited the former President of Chartered Institute of Internal Auditors (UK) to be on the committee to share some of the challenges the UK faced when developing their guidance."

The committee was formed into six working groups, each tackling a different aspect of the internal audit function, and outlined in six major principles.

He said the six principles in the Guide follows the International Professional Practices Framework (IPPF), which contains the International Standards for the Professional Practice of Internal Auditing, the only standards available for internal auditors in Australia.

The Guide focuses on the role of internal audit to assist boards and senior management to protect the assets, reputation and sustainability of the organisation.

Mr Jones said that the head of internal audit should report directly to the chair of the audit committee, and not be restricted in its investigations, allowing organisation-wide access.

"But the head of internal audit can only complete their work if they have sufficient resourcing to do their job, and the seniority required to challenge management," he said.

He hoped all financial organisations would follow the Guide to improve their governance processes.

ASA – ADVOCACY and AGM Season wrap-up for 2020

By Fiona Balzer and Vishad Sharma

Annual general meeting (AGM) season, like almost everything else in 2020 was dominated entirely by the global pandemic and its many ramifications. While business was decidedly not as usual, ASA monitors and volunteers worked hard alongside the national office to attend a new format of meeting. We would like to thank all the ASA representatives who rose to the challenge of attending almost 300 company meetings during 2020, most of them in virtual form. It has been a testing year in so many ways and their efforts to represent retail shareholders are appreciated. A few themes were dominant in how companies were monitored and assessed but we also saw other issues to engage on in terms of policy and advocacy change.

Virtual meetings are not great for shareholders

While the pandemic was restricting movement and gatherings across the world, it was clear that annual general meetings and other shareholder meetings would be run differently in 2020. After March, regulators and the Government facilitated the holding of virtual AGMs for at least six months.

This assumption was thrown for a toss in September when the Government extended the concessions by six months and announced their intention to pass legislation that would make it possible for companies to permanently shift to virtual AGMs. This move prompted swift action by retail shareholders (including many ASA members) who contacted their local members of Parliament, lodged formal responses to the bill and ensured that their voices were heard.

Virtual meetings are a sterile format that do not allow for shareholders to meaningfully interact with directors. The disconnect between the questioner and Chair of the meeting that comes with the territory of virtual meetings also means that questions can be ignored or rephrased to reduce the impact of the question. These issues are only some of the problems that make virtual meetings difficult. Electricity and internet connectivity issues can plague rural Australian shareholders, access to up-to-date technology can be restrictive to some and a move to solely electronic communication can pose significant barriers for their engagement with their investments.

More strikes than 2019

It may have seemed like an AGM season concentrating on COVID-19 and its runoff effects, and the superb efforts of companies surviving thorough the difficulties and keeping staff and customers safe would have few against votes recorded. However, shareholders remained concerned with how some companies were dealing with remunerating executives with ad hoc adjustments to compensate for hurdles not being met. The number of strikes against remuneration reports (a strike is where more than 25% of voted shares are against the resolutions) grew to 17 in 2020, compared to 15 the prior year.

A shift towards ESG

While remuneration strikes are never the result of a single rationale, it was clear that shareholders were more concerned with companies playing fair, being honest and being honest about their environmental, social and governance issues (ESG).

The company that saw one of the highest against votes on its remuneration report was AMP. The decision to promote UK-based executive Boe Pahari to AMP Capital's chief executive office after he had been penalised for sexual harassment in the workplace, was a significant factor in this vote. Under the chairmanship of David Murray, the organisation's decision-making was questioned by both retail and institutional shareholders. AMP also lost a number of key employees while battling reputation issues after reports were released of other improper behaviours by key executives in the Australian business.

Other governance shortfalls attracted remuneration strikes and high against votes for directors up for re-election. Crown Resorts received a 34% against vote for the remuneration report and directors received against votes of 25% to 99% and remains in the news as its fitness to hold a gaming licence is judged.

Timing is everything - among organisations that did not see a strike but were still affected by ESG issues during 2020 was Rio Tinto, the mining giant. Rio was negatively impacted by the organisation's ill-considered destruction of the Juukan Gorge caves, a sacred Aboriginal site. The destruction took place well after the annual general meeting had been held. CEO Jean-Sebastian Jacques stepped down and the organisation took a significant reputational hit.

New shareholders entered the markets

It was also an interesting year for share market trading as the market dipped to low levels during February and March. Many people also had more time on their hands prompting many young people to buy in to stocks at cheaper prices than they would have had to prior to the pandemic hitting. The Australian Securities and Investment Commission (ASIC) released a report "Retail investor trading during COVID-19 volatility" during May 2020 pointing out many new investors had been trading complex products such as contract for difference and losing money on these trades. This influx will have long-standing effects on how investments will be considered in the next few years. A prodigious amount of capital was directed towards ethical and impact-based investments. Some of the effects of this new set of entrants has been felt more fully in 2021 with the now infamous GameStop US rally that almost bankrupted some short selling hedge funds with a social media post encouraging buyers to push the price up.

While there can be arguments whether the pandemic was a black swan event (unknown and improbable) or a foreseeable scenario that wasn't adequately identified and managed, the after-effects are likely to persist throughout 2021. ASA will continue to monitor companies, address important focus issues and work towards providing key resources that can help educate newer investors. Watch this space for more.

Monitor Talk

Thank you to the ASA company monitoring team

Out of the many functions that ASA executes to ensure retail shareholder rights are respected, one of the most crucial ones is monitoring ASX-listed companies. Each year our cohort of volunteer company monitors old and new take time from their busy lives and schedules to engage with key companies on behalf of retail shareholders across Australia.

They monitor governance issues, engage with non-executive directors and company chairpersons to ensure that stewardship is being maintained in a manner that shareholders can feel confident in and raise and ask difficult questions about the concerns retail holders have about the companies they are invested in.

The ability to interact with authentic retail shareholder representatives ensures that boards do not unknowingly sideline the concerns that retail holders have and retail voices are heard on a consistent basis. Our monitors also routinely carry proxies for any shareholder who appoints them as a proxy (not just ASA members who appoint us as a proxy) while also preparing detailed voting intentions and general meeting reports for the companies they monitor.

2020 was a difficult year that required our monitors to gain new skills very fast and they adapted well to new situations, engaged with companies and provided diligent reports around the deficiencies of virtual meetings. These reports not only provided ASA with the ability to assess deficiencies but also highlight them to regulators and governance experts, ensuring that retail holders are not sidelined by virtue of a shift in the way general meetings are conducted.

We would like to take this opportunity in the new year to thank our company monitors for their work and introduce (or re-introduce) them to our members new and old. In the table below, we have published some of the meetings our monitors have attended in the past year as well as some of the meetings they may attend in the coming year. You can access their voting intentions and AGM reports from these meetings by visiting the ASA website.

Company name	ASX code	AGM/ EGM Date	Monitor name	Voting Intentions available?	AGM Report available?
ADBRI Limited	ABC	19/5/20	Mr Robert Ritchie	Yes	Yes
Afterpay Touch Group Limited	APT	17/11/20	Ms Christine Haydon	Yes	Yes
AGL Energy Limited	AGL	7/10/20	Ms Helen Manning	Yes	Yes
ALS Limited	ALQ	29/7/20	Mrs Sally Mellick	Yes	Yes
Altium Limited	ALU	19/11/20	Ms Mary Curran	Yes	Yes
Alumina Limited	AWC	20/5/20	Mr Michael Muntisov	Yes	Yes
AMCIL Limited	AMH	8/10/20	Mr Frank J. Thompson	No	Yes
AMP Limited	AMP	30/4/21	Mr Ian Graves	No	No
Ampol Limited	ALD	14/5/20	Mr Roger Ashley	Yes	Yes
Andromeda Metals Limited	ADN	26/11/20	Mr Bradley Martin	No	No
Ansell Limited	ANN	5/11/20	Mr John Whittington	Yes	Yes
APA Group	APA	21/10/21	Mr Ian Anderson	No	No
Appen Limited	APX	29/5/20	Ms Mary Curran	Yes	Yes
ARB Corporation Limited	ARB	15/10/20	Mr Brett Morris	Yes	Yes
Arena REIT	ARF	19/11/20	Mr Jason Cole	Yes	No
Argo Investments Limited	ARG	26/10/20	Mr James Hahn	Yes	Yes
Aristocrat Leisure Limited	ALL	26/2/21	Ms Carol Limmer	Yes	No
ASX Limited	ASX	30/9/20	Mrs Patricia Beal	Yes	Yes
Atlas Arteria	ALX	27/4/21	Mr Nick Bury	No	No
Aurizon Holdings Limited	AZJ	14/10/20	Ms Shirley Watson	Yes	Yes
AusNet Services	AST	15/7/21	Dr Mike Robey	No	No
Austal Limited	ASB	30/10/20	Mr Geoff Read	Yes	No
Australia & New Zealand Banking Group Ltd	ANZ	16/12/20	Mr John Whittington	Yes	Yes
Australian Foundation Investment Company	AFI	14/10/20	Mr Jason Cole	Yes	Yes

Monitor Talk - Continued

Australian Pharmaceutical Industries Limited	API	20/1/21	Prof Stewart Burn	Yes	No
Bank of Queensland	BOQ	8/12/20	Mrs Kelly Buchanan	Yes	Yes
Beach Energy	BPT	25/11/20	Mr James Hahn	Yes	Yes
Bendigo and Adelaide Bank Limited	BEN	27/10/20	Mr Eric Pascoe	Yes	Yes
Beston Global Food Company Limited	BFC	29/1/21	Mr Bradley Martin	Yes	No
BHP Group Limited	BHP	14/10/20	Mr Duncan Seddon	Yes	Yes
Blackmores Ltd	BKL	27/10/20	Ms Julieanne Mills	Yes	Yes
BlueScope Steel Limited	BSL	19/11/20	Mr Michael Muntisov	Yes	Yes
Boral Limited	BLD	27/10/20	Mr Ian Anderson	Yes	Yes
Brambles Limited	BXB	8/10/20	Mr Roger Ashley	Yes	Yes
Carsales.com Limited	CAR	30/10/20	Mr Henry Stephens	Yes	Yes
Cedar Woods Properties Limited	CWP	4/11/20	Mr Kevin Bowman	Yes	Yes
Challenger Limited	CGF	29/10/20	Mrs Elizabeth Fish	Yes	Yes
Cleanaway Waste Management Limited	CWY	14/10/20	Mr John Collins	Yes	Yes
Clinuvel Pharmaceuticals Limited	CUV	11/11/20	Mr Claudio Esposito	No	Yes
Coca-Cola Amatil Limited	CCL	26/5/20	Mr Roger Ashley	Yes	Yes
Cochlear Limited	COH	20/10/20	Mrs Patricia Beal	Yes	Yes
Codan Limited	CDA	28/10/20	Mr Bradley Martin	Yes	Yes
Coles Group Limited	COL	5/11/20	Prof Stewart Burn	Yes	Yes
Collins Foods Limited	CKF	27/8/20	Mr Steven Mabb	Yes	Yes
Commonwealth Bank of Australia	CBA	13/10/20	Dr Lewis Gomes	Yes	Yes
Computershare Limited	CPU	11/11/20	Mr Jason Cole	Yes	Yes
Cooper Energy Limited	COE	12/11/20	Mr Malcolm Holden	No	Yes
Corporate Travel Management Limited	CTD	27/10/20	Ms Shirley Watson	Yes	Yes
Costa Group Holdings Limited	CGC	27/5/21	Mr Henry Stephens	No	No
Credit Corp Group Limited	CCP	5/11/20	Ms Sue Howes	Yes	Yes
Cromwell Property Group	CMW	12/2/21	Mrs Kelly Buchanan	Yes	No
Crown Resorts Limited	CWN	22/10/20	Mr Geoffrey Bowd	Yes	Yes
CSL Limited	CSL	14/10/20	Mr Michael Muntisov	Yes	Yes
CSR Limited	CSR	24/6/20	Mr Richard McDonald	Yes	Yes
Dexus	DXS	23/10/20	Mr John Cowling	Yes	No
Domain Group Holdings Limited	DHG	10/11/20	Dr Donald Adams	Yes	Yes
Domino's Pizza Enterprises Limited	DMP	4/11/20	Mrs Sally Mellick	Yes	Yes
Downer EDI Limited	DOW	5/11/20	Mr Allan Goldin	Yes	Yes
Duxton Water Limited	D2O	19/5/20	Mr Bradley Martin	Yes	No
Elders Limited	ELD	17/12/20	Mr Ken Wakeman	Yes	Yes
EML Payments Limited	EML	30/10/20	Mr Steven Mabb	Yes	Yes
Equity Trustees Limited	EQT	28/10/20	Mr Peter Aird	No	Yes
Flight Centre Travel Group Limited	FLT	5/11/20	Mrs Kelly Buchanan	Yes	Yes
Fortescue Metals Group Ltd	FMG	11/11/20	Mr Len Roy	Yes	Yes
G8 Education Limited	GEM	17/6/20	Mr Geoffrey Orrock	Yes	Yes
Galaxy Resources Limited	GXY	21/5/20	Mr Alan Dickson	Yes	Yes
Goodman Group	GMG	19/11/20	Dr Lewis Gomes	Yes	Yes
GPT Group	GPT	13/5/21	Mr Allan Goldin	No	No
Growthpoint Properties Australia	GOZ	19/11/20	Mr Brian Chapman	Yes	Yes
GUD Holdings Limited	GUD	27/10/20	Mr John Whittington	Yes	Yes
GWA Group Limited	GWA	30/10/20	Mr Noel Ambler	Yes	Yes
Hansen Technologies Limited	HSN	26/11/20	Judith Seddon	Yes	Yes

Healius Limited	HLS	22/10/20	Mrs Patricia Beal	Yes	Yes
Hills Limited	HIL	6/11/20	Mr Robert Ritchie	No	Yes
HUB24 Limited	HUB	26/11/20	Mr Allan Goldin	Yes	Yes
IDP Education Limited	IEL	20/10/20	Dr Mike Robey	Yes	Yes
IGO Limited	IGO	18/11/20	Mr Derek Miller	Yes	Yes
Iluka Resources Ltd	ILU	16/10/20	Mr Geoff Read	Yes	Yes
Incitec Pivot Limited	IPL	18/12/20	Mr Peter Aird	Yes	Yes
Inghams Group Limited	ING	5/11/20	Mrs Elizabeth Fish	Yes	Yes
Insurance Australia Group Limited	IAG	23/10/20	Mr Ian Graves	Yes	Yes
InvoCare Limited	IVC	8/5/20	Mr Roger Ashley	Yes	Yes
IOOF Holdings Limited	IFL	25/11/20	Mr Alan Hardcastle	Yes	Yes
IRESS Limited	IRE	7/5/20	Mr Eric Pascoe	Yes	Yes
JB Hi-Fi Limited	JBH	29/10/20	Dr Mike Robey	Yes	Yes
Jumbo Interactive Limited	JIN	29/10/20	Mr Steven Mabb	Yes	Yes
Karoon Gas Australia Ltd	KAR	27/11/20	Mr Duncan Seddon	Yes	Yes
Kogan.com Ltd	KGN	20/11/20	Mr Brett Morris	Yes	No
Korvest Ltd	KOV	23/10/20	Mr Malcolm Holden	No	Yes
LendLease Corporation	LLC	20/11/20	Mr Allan Goldin	Yes	Yes
Link Administration Holdings Limited	LNK	27/10/20	Mr Allan Goldin	Yes	Yes
Macquarie Group Limited	MQG	30/7/20	Mr Allan Goldin	Yes	Yes
Magellan Financial Group Limited	MFG	22/10/20	Mrs Elizabeth Fish	Yes	Yes
Medibank Private Limited	MPL	12/11/20	Mr Peter Aird	Yes	Yes
Mesoblast Limited	MSB	24/11/20	Prof Stewart Burn	Yes	Yes
Metcash Limited	MTS	26/8/20	Ms Pamela Murray-Jones	Yes	Yes
Mineral Resources Limited	MIN	19/11/20	Mr Geoff Sherwin	Yes	Yes
Mirvac Group	MGR	19/11/20	Ms Sonja Davie	Yes	Yes
MMA Offshore Limited	MRM	28/1/21	Mr Geoff Corrick	Yes	No
Monadelphous Group Limited	MND	24/11/20	Mr Derek Miller	Yes	Yes
National Australia Bank Limited	NAB	18/12/20	Mr Dennis Shore	Yes	Yes
National Storage REIT	NSR	28/10/20	Mrs Sally Mellick	Yes	Yes
New Hope Corporation Limited	NHC	17/11/20	Mr John Collins	Yes	Yes
Newcrest Mining Limited	NCM	11/11/20	Mr Gavin Morton	Yes	Yes
NIB Holdings Limited	NHF	5/11/20	Mr Geoffrey Orrock	Yes	Yes
Nine Entertainment Co Holdings Limited	NEC	12/11/20	Dr Donald Adams	Yes	Yes
Northern Star Resources Ltd	NST	25/11/20	Mr David Brooke	Yes	Yes
NRW Holdings	NWH	26/11/20	Mr Len Roy	Yes	Yes
Nufarm Limited	NUF	18/12/20	Mr Duncan Seddon	Yes	Yes
Orica Limited	ORI	22/12/20	Mr Adam Raymond	Yes	Yes
Origin Energy Limited	ORG	20/10/20	Dr Lewis Gomes	Yes	Yes
Orocobre Limited	ORE	13/11/20	Mr Mike Sackett	Yes	Yes
Orora Limited	ORA	21/10/20	Dr Mike Robey	Yes	No
OZ Minerals Limited	OZL	17/4/20	Mr Ken Wakeman	Yes	Yes
PayGroup Limited	PYG		Mr Peter Rae		
Pendal Group Limited	PDL	11/12/20	Mrs Sue Erbag	Yes	Yes
Perenti Global Limited	PRN	2/10/20	Mr Keith Mellis	Yes	Yes
Perpetual Limited	PPT	15/10/20	Mr Richard Williams	Yes	Yes
Pilbara Minerals Limited	PLS	17/11/20	Mr Kevin Bowman	Yes	Yes
Platinum Asset Management Limited	PTM	20/11/20	Mr Ian Anderson	Yes	Yes
Premier Investments Limited	PMV	4/12/20	Mr Jason Cole	Yes	Yes
Pro Medicus Limited	PME	25/11/20	Prof Stewart Burn	Yes	Yes
Qantas Airways Limited	QAN	23/10/20	Mr Allan Goldin	Yes	Yes
QBE Insurance Group Limited	QBE	7/5/20	Mr Ian Graves	Yes	Yes

Qube Holdings Limited	QUB	26/11/20	Mr Ian Graves	Yes	Yes
Ramelius Resources Limited	RMS	26/11/20	Mr Bob Kelliher	Yes	No
Ramsay Health Care Limited	RHC	24/11/20	Ms Helen Manning	Yes	Yes
Regis Resources Limited	RRL	25/11/20	Mr Bob Kelliher	Yes	Yes
Reliance Worldwide Corporation Limited	RWC	29/10/20	Mr Peter Aird	Yes	Yes
Resolute Mining Limited	RSG	21/5/20	Mr Bob Kelliher	Yes	Yes
Rio Tinto Limited	RIO	6/5/21	Mr Duncan Seddon	No	No
Sandfire Resources NL	SFR	27/11/20	Mr Len Roy	Yes	Yes
Santos Limited	STO	3/4/20	Mr Robert Ritchie	Yes	Yes
Saracen Mineral Holdings Limited	SAR	15/1/21	Mr David Brooke	Yes	No
Scentre Group	SCG	8/4/21	Mr David Jackson	No	No
Sealink Travel Group Limited	SLK	27/10/20	Mr Ken Wakeman	Yes	Yes
SEEK Limited	SEK	19/11/20	Mr Claudio Esposito	Yes	Yes
Service Stream Limited	SSM	21/10/20	Mr Alan Hardcastle	Yes	Yes
Seven Group Holdings Limited	SVW	18/11/20	Mr Ian Graves	Yes	Yes
Shopping Centres Australasia Property Group	SCP	25/11/20	Dr Lewis Gomes	Yes	Yes
Sigma Pharmaceuticals Limited	SIG	13/5/20	Dr Mike Robey	Yes	Yes
Sims Metal Management Limited	SGM	10/11/20	Mr Nick Bury	Yes	Yes
Sonic Healthcare Limited	SHL	12/11/20	Mr Allan Goldin	Yes	Yes
South32 Limited	S32	29/10/20	Mr John Campbell	Yes	Yes
Spark Infrastructure Group	SKI	27/5/20	Mr Richard McDonald	Yes	Yes
Stockland Corporation Limited	SGP	20/10/20	Ms Julieanne Mills	Yes	Yes
Suncorp Group Limited	SUN	22/10/20	Mrs Sally Mellick	Yes	Yes
Super Retail Group Limited	SUL	28/10/20	Mr Peter McInally	Yes	Yes
Sydney Airport	SYD	22/5/20	Ms Julieanne Mills	Yes	Yes
Tabcorp Holdings Limited	TAH	20/10/20	Mr Michael Muntisov	Yes	Yes
Tassal Group Limited	TGR	28/10/20	Mr Alan Hardcastle	Yes	Yes
Technology One Limited	TNE	23/2/21	Mr Steven Mabb	Yes	No
Telstra Corporation Limited	TLS	13/10/20	Ms Sue Shields	Yes	Yes
Templeton Global Growth Fund Limited	TGG	29/10/20	Mr Frank J. Thompson	Yes	Yes
The Star Entertainment Group Limited	SGR	22/10/20	Ms Carol Limmer	Yes	Yes
TPG Telecom Limited	TPG	24/6/20	Mrs Estelle Renard	Yes	Yes
Transurban Group	TCL	8/10/20	Mr Michael Muntisov	Yes	Yes
Treasury Wine Estates Limited	TWE	5/11/20	Mr Rod McKenzie	Yes	Yes
United Malt Group Limited	UMG	18/2/21	Mrs Elizabeth Fish	Yes	No
Vicinity Centres	VCX	12/11/20	Mr John Virgona	Yes	Yes
Viva Energy Group Limited	VEA	30/9/20	Mr John Whittington	Yes	Yes
Vocus Group Limited	VOC	28/10/20	Dr Mike Robey	Yes	Yes
Webjet Limited	WEB	22/10/20	Dr Mike Robey	Yes	Yes
Wesfarmers Limited	WES	12/11/20	Mr John Campbell	Yes	Yes
Western Areas Limited	WSA	19/11/20	Mr Geoff Corrick	Yes	Yes
Westgold Resources Limited	WGX	20/11/20	Mr Kevin Bowman	Yes	Yes
Westpac Banking Corporation	WBC	11/12/20	Ms Carol Limmer	Yes	Yes
Whitehaven Coal Limited	WHC	22/10/20	Mr Geoffrey Orrock	Yes	Yes
WiseTech Global	WTC	26/11/20	Ms Mary Curran	Yes	Yes
Woodside Petroleum Limited	WPL	30/4/20	Mr Geoff Read	Yes	Yes
Woolworths Group Limited	WOW	12/11/20	Dr Donald Adams	Yes	Yes
Worley Limited	WOR	23/10/20	Mr Gary Barton	Yes	Yes

An efficient but rather soulless AGM following a difficult but solid year

An efficient but rather soulless AGM following a difficult but solid year

ANZ's AGM followed a year where results would have been approximately flat if they hadn't set aside approx. $1.7bn in provisions for COVID-19 losses (for more details on the year's performance, refer to our voting intentions). After a Welcome to Country the meeting started very well with Chair and CEO saying all the right things in their addresses (available online).

Questions were asked by the deputy CEO in a clear and unemotional voice so much of the interaction and emotion of a normal AGM was lost making the meeting feel a little soulless. We expect all questions at virtual AGM to identify the questioner and read questions verbatim and this was done. The Chair answered most questions but did pass onto the CEO and CFO when appropriate. All questions answered were competently and thoroughly dealt with, though again feeling soulless.

The ASA asked about (answers in italics):

- Next year's AGM – *planned to be a physical meeting in Adelaide, not expected to be a hybrid meeting,*
- If 100% franking is coming back – *can't predict the future but do have a surplus and very conscious franking credits are worth more to shareholders than to the company,*
- ANZ's seemingly poor net promoter scores – *disappointed by the aggregate scores, improving is a top priority, experiential/episodic scores in key areas are getting better, and*
- Their cash flow statement where they have adopted an approach in recent years which no longer can be compared with its domestic peers – *cash flow statement is less important than other measures.*

The items for voting at the meeting were all relatively uncontroversial with votes on all items strongly (96%+) supported except for the final item. Remuneration and the grant of performance rights to the CEO were introduced with a pre-recorded video from the chair of the remuneration committee and generated few questions (ASA called for higher weighting on financial metrics, longer deferral periods, and earlier disclosure of the number of rights being granted to the CEO). The final item – a shareholder sponsored resolutions which aims to change the constitution to allow shareholder advisory resolutions. This was soundly defeated (only 8% support) with only one shareholder (the proposer) speaking on its behalf.

ANZ BANKING GROUP AGM

1 year chart

MONITORS: John Whittington assisted by Peter Rae and Geoff Bowd

Date	16 December 2020
Venue	Virtual AGM
Attendees	242 share- and proxyholders plus 639 visitors
ASA proxies	4.9m shares from 1,055 shareholders (equivalent to 14th largest holder in the top 20 list)
Value of proxies	$114m
Proxies voted	Yes, on a poll.
Market cap	$65.2 billion
Pre-AGM meeting	Yes, with Chair Paul O'Sullivan and others.

Year of transition hit by COVID-19

It was an orderly AGM, with what appeared ample opportunity to ask questions after advice that the meeting was to be timely.

The AGM commenced with Fiona Daly, Corporate Governance and Head of Company Secretariat, outlining what attendees should expect for BOQ's virtual AGM. She also advised that in the interest of timing, each shareholder would be restricted to 3 questions per resolution and that questions previously answered or covered in the CEO and Chair's addresses, those that were repetitive or defamatory, would not be asked. BOQ provided access to answers of previously asked question in a document available during the meeting BOQ AGM Investor Questions.

This was followed by Chair Patrick Allaway introducing the board before delivering his address. He committed to BOQ's highest priority being to support customers, BOQ's people and shareholders and individually addressed stakeholders. George Frazis, CEO, then delivered his address which included an outlook for 2021.

The first resolution to be considered was Bruce Carter's re-election to the board. He addressed the meeting by video which ASA applauds. Shares voted by proxy were directed 90.6% for his election, with a poll result of 91.8% of shares voted in favour of his re-election.

All the other resolutions passed with more than 97% of shares voted in favour on the poll.

ASA's entered two questions. First: The bank's financials have been in a downward trend for several years. Are there any positives you can share that will give hope to your long-suffering shareholders?

Mr Frazis pointed to his address and updated productivity targets and sustainable profitable growth expectations for the years to come. Mr Allaway also noted the rejuvenation of the teams charged with delivering on the strategy.

ASA's second question: FY19 Cash NPAT declined by $52m or about 14% and you paid no STI bonuses. In FY20 the result was worse with Cash NPAT declining by $95m or nearly 30%, yet you paid out in excess of $300,000 in STI. How can you justify any payment of STI bonuses under these circumstances? Mr Allaway again pointed to what had been covered in the addresses, the hard work and additional efforts of executives and staff and curtailing of payments and that this was considered an appropriate weighing of the balance.

The share price fell 8c to $7.80 on the day. The AGM was reported next day in the Australian Financial Review Borrowers on pandemic relief shrink heavily: BoQ.

BANK OF QLD AGM

1 year chart

MONITORS: Kelly Buchanan assisted by Mike Stalley, Noel Ambler and Fiona Balzer

Date	8 December 2020
Venue	Virtual AGM
Attendees	N/A
ASA proxies	0.9m shares from 156 shareholders (equivalent to 10th largest holder in the top 20 list)
Value of proxies	$6.9m
Proxies voted	Yes, on a poll.
Market cap	$3.6 billion
Pre-AGM meeting	Yes, with Chair Patrick Allaway and others.

ELDERS LIMITED AGM

1 year chart

MONITORS: Ken Wakeman and Bob Ritchie

Date	17 December 2020
Venue	Virtual AGM
Attendees	13 Shareholders, 1 proxy and 72 guests
ASA proxies	0.297m shares from 48 shareholders
Value of proxies	$2.97m
Proxies voted	Yes, on a poll.
Market cap	$1.69 billion
Pre-AGM meeting	Yes, with Chair Ian Wilton and others.

Elders performance continues to improve

As is usual with Elders, the meeting was over in under an hour and all motions passed with over 98% majority. In FY19 Elders received a strike against the remuneration report and have spent considerable time and made significant improvements to it in this year. A vote in favour this year of over 99% indicated that shareholders were satisfied. ASA supported all motions but were disappointed that the board had not taken the opportunity to increase the time horizon for the CEO's LTI from 3 years to 4. We raised this issue and the chair indicated that the 3 year timeframe tied up with the 3 year 8 point plan that the CEO was working towards. We still feel this was an opportunity lost and will continue to raise this issue in the future.

The chair's presentation spoke of the company's resilience dealing with the bushfires and also dealing with the COVID-19 pandemic without any government assistance in the form of JobKeeper or other COVID-19 support measures. He referred to the work done on remuneration and sustainability and the greatly improved safety record.

The CEO spoke of the highlights of the FY20 performance and introduced the goals of the 3rd 8 point plan and the strategy to reach them. He expanded on the chair's remarks saying one of the key strategic priorities in the third 8 point plan is developing and delivering an authentic and industry leading sustainability program across health and safety, community, environment and governance. Included in his remarks was his mantra that he wished to continue making good money in bad seasons and great money in good seasons.

There were 3 other questions from shareholders. One shareholder asked if there was a policy to keep the CEO pay at a maximum of 10 times the lowest paid worker. The chair replied there was no such policy and no plan to introduce one. Another shareholder asked about Elders' environmental & sustainability credentials. The chair replied in detail about steps being taken with issues such as water, recycling and sustainability of farming. He referred to the sustainability report introduced for the first time in this year's annual report. A final question asked about AgTech, the digital technology used in agriculture and horticulture to improve yield, efficiency and profitability. The chair expanded on Elders use of this technology.

The meeting went smoothly and was well chaired.

INCITEC PIVOT LIMITED AGM

1 year chart

MONITORS: Peter Aird with Chris Lobb

Date	18 December 2020
Venue	Virtual AGM
Attendees	15 shareholders, 79 guests
ASA proxies	0.639m shares from 54 shareholders
Value of proxies	$1.467m
Proxies voted	Yes, on a poll.
Market cap	$4.48 billion
Pre-AGM meeting	Yes, with Chair Brian Kruger and others.

Challenging year with improving performance

The AGM was conducted as a live web presentation with the Chair and CEO on video and the other Directors and the Auditor available. The Chair and CEO both spoke, and their presentations are available on the Company web site. Mr Kruger noted the importance of the capital raising, providing financial flexibility in these uncertain times and indicated that the board is committed to resuming dividend payment in line with their normal dividend policy. The CEO noted the importance of "our embedded safety focus" in managing the COVID-19 pandemic ensuring continuing support and supply to the essential resources and agricultural industries. Whilst a tragic incident in which an employee and another died in a motor accident was acknowledged, broader safety metrics improved and progress on the sustainability agenda was noted. Given continuing low commodity prices, the company continues to focus on the advantage provided by its technology, improved manufacturing performance and pursuing low capital, high return opportunities that leverage their technology platform.

ASA's question regarding a return to historic level of earnings per share drew a response noting low commodity prices, the impact of the company's strategy and improved fertilizer performance would assist. The CEO responded to our question regarding external projects to produce green ammonia, noting again the results of their internal study and indicated that other options would be looked at. Our question regarding return to dividends had been dealt with in Mr Kruger's address.

We asked about the impact of changes in demand for coal in the US (known structural decline with product being directed to other markets) and if the current coal supply issues to China would affect local sales. As IPL's supplies to Australian coal mines are primarily for metallurgical coal, little impact is expected, and the quality of the coal would indicate that it can be readily sold to other markets. Questions were asked by other shareholders regarding sourcing of phosphate rock from West Africa, seeking clear public statements from the company. The invitations were declined.

Both Directors seeking election made presentations. Both were elected with Mr Biltz 99.98% For and Mr Kruger 93.19% For. ASA's statement regarding our vote against the Remuneration report was read to the meeting and the bonus awarded to Mr Titze (President, Incitec Pivot Fertilisers) was again strongly defended by the Chair. The Remuneration report was carried with 90.24% of the vote. There was no comment on the Grant of Performance Rights to the CEO and the Item was carried with 99.4% of the vote.

Upbeat and on track

A well organised virtual AGM with addresses by both Chair and CEO positive about the future outlook. The Chair commented that the bank is "operating in a much better economic environment than anticipated even a few months ago" and that the economy will be back to 2019 levels of growth by the end of 2021, a year ahead of where they had earlier estimated. Agriculture is in the best shape since 2016, lending is $2.4b per month, there is underlying momentum in the business and opportunities for growth in the core banking business NAB, Bank of New Zealand and UBank. Improvement in technology has proved critical, the sale of MLC Wealth to IOOF is the last major structural change and the bank is on track to a "simpler, more relevant and easier to deal with" organisation, good for customers and good for shareholders".

There was strong support for directors seeking re-election and also for Simon McKean as a director appointed in February. All addressed the meeting capably in support of their election or re-lection. Reference was made to Mr. McKean's position on the Rio Tinto Board with the Chair explaining that it was not possible to talk about another company's actions at a NAB meeting.

ASA asked 5 questions including the preference of renounceable rights when capital raising. The Chair acknowledged our concerns and agreed it was the preferred option however takes more time to implement. We also commented on remuneration, changes to metrics and for an easier to understand remuneration system, where expenses may be improved, risk management framework and plans to restore shareholder value.

The requisitioned resolution by the environmental group Market Forces did not get sufficient support (only 6.92% support), and as a result the additional conditional resolution was not put to the vote. There were a number of questions regarding climate change and lending to fossil fuel industries. NAB is the only bank that has signed the Collective Commitment to Climate Action which binds it to a target of net zero emissions in its lending portfolio by 2050. NAB is reviewing lending for oil and gas loans by September 2021 and has committed to reduced exposure to thermal coal mining by 50% by 2026 and effectively zero by 2030.

All resolutions passed with more than 98% FOR with the exception of the amendment to the constitution (93% AGAINST), in line with the recommendation of the Board and ASA's Voting Intentions.

NATIONAL AUSTRALIA BANK AGM

1 year chart

MONITORS: Christine Haydon and Dennis Shore

Date	18 December 2020
Venue	Virtual AGM
Attendees	592 shareholders
ASA proxies	5.95m shares from 1091 shareholders
Value of proxies	$139m
Proxies voted	Yes, on a poll.
Market cap	$77.04 billion
Pre-AGM meeting	Yes, with Chair Phil Chronican and others.

New broom to sweep clean for 2021

Former Wesfarmers executive, John Gillam in quick succession came to the board and took over as chairman of the company during 2020, replacing the very long-standing chair Don McGauchie. Further board renewal is expected with several other long-standing directors not standing for re-election or indicating their desire not to continue much longer. This gives the opportunity for the new chair to re-invigorate the company with essentially a new board of directors.

To further this transition, the company has changed its reporting date to 30 September. This necessitated two AGMs which were held consecutively, the first and main AGM to the year end 31 July and a second AGM to 30th September. The company believes this year end will remove seasonal variations and reflect that adopted by their peers.

The AGM was a quiet affair. We asked three questions.

We asked that the chair consider adopting a minimum shareholding policy for all directors and senior managers of the company. The chair (who comes from Wesfarmers with such a policy in place) was sympathetic to this and has himself recently acquired on market a considerable parcel of shares in Nufarm.

We asked about the position of Sumitomo, as a major shareholder with a representative on the board, in the development of company policy. The chair stated that Sumitomo's representative did not take part in policy discussions and that pertinent documents were withheld from him. We asked about the possible change of the auditor (of 18 year standing) and the chair said that this will be reviewed in the coming year.

A question from a shareholder probed the impact of Chinese subsidies for their products and the impact on Nufarm. The chair said this was not material to Nufarms's fortunes.

All motions were passed. The remuneration vote attracted a 20% against vote so did not spark a spill motion. This seems to have arisen by shareholder disaffection with the previous year's performance. No dividends were paid this year. We voted for all motions except the re-election of non-executive director Peter Margin on the grounds he has served 9 years and has a minimal shareholding in the company. He has indicated that he intends to leave the board within his three-year appointment period.

NUFARM LIMITED AGM

1 year chart

MONITORS: Duncan Seddon and Chris Lobb

Date	18 December 2020
Venue	Virtual AGM
Attendees	NA
ASA proxies	0.145m shares from 33 shareholders
Value of proxies	$0.6m
Proxies voted	Yes, on a poll.
Market cap	$577m
Pre-AGM meeting	Yes, with MD Greg Hunt and CFO Paul Binfield.

ORICA LIMITED AGM

1 year chart

MONITORS: Adam Raymond assisted by Belinda White

Date	22 December 2020
Venue	Virtual AGM
Attendees	NA
ASA proxies	0.367m shares from 132 shareholders (equivalent to the 16th largest holder in the Top 20 list)
Value of proxies	$5.7m
Proxies voted	Yes, on a poll.
Market cap	$6.3 billion
Pre-AGM meeting	Yes, with Chair Malcolm Broomhead.

Upbeat presentation, but serious dark clouds loom

The Orica AGM was virtual this year, and that probably triggered a reduction in the shareholder participation in comparison with previous years.

The Chair, Mr Broomhead, and Chief Executive Officer (CEO), Mr Calderon, emphasised a good safety outcome for the company this financial year (FY), with no fatalities and a 29% reduction in the serious injury case rate.

A key comment from Mr Calderon was that the purchase of Exsa helped move the Orica customer base away from coal. He also noted that the percentage of revenue based on coal (thermal and metallurgical) had dropped from 17% to 16% in the last FY and was expected to drop another 1% in the medium term (he didn't define how long that period was).

In spite of many upbeat comments, the forecast for Orica doesn't expect the effects of COVID-19 and the Australia - China trade tensions to resolve for at least 18-24 months. The impact of the trade dispute was largely not felt this FY but is now impacting demand to the tune of 10,000 tonnes of Ammonium Nitrate (AN) per month by the time of the AGM, which probably explains the 10+% drop in the share price over the past month.

In response to a question from the ASA, the CEO noted that major shareholders (Australian Super are now the largest shareholder in Orica as an example) are now interested in a broad range of different aspects of mitigation of greenhouse gas emissions, including the planning, governance and customer impact. They say that the current plan, that is focussed on a 40% cut by 2030, has firm shareholder approval.

While the capital raising resulted in a significant dilution of retail shareholder equity, Mr. Broomhead maintained that if retail shareholders had taken up the offered A$30,000 share offer, then only a very small percentage of the shareholders would have experienced a dilution in their equity position.

The voting did contain a few surprises. The re-election of Mr Broomhead to the board was almost unanimous and Mr Beevers' election to the board received strong support. The remuneration report, while well off a strike, had a 7.5% against vote, denoting a strong thread of discontent. More notable was the 15.7% vote against the granting of rights for the long-term incentive for Mr Calderon (this vote is required under ASX rules for any director to get rights granted to them).

PENDAL AGM

1 year chart

MONITORS: Sue Erbag and Orlene McKinlay

Date	11 December 2020
Venue	Virtual AGM
Attendees	NA
ASA proxies	0.391m shares from 141 shareholders
Value of proxies	$2.58m
Proxies voted	Yes, on a poll.
Market cap	$2.2 billion
Pre-AGM meeting	Yes, with Chair James Evans, and NED Andrew Fay.

Progress made however still falling short

Overall, considering this was the first online only AGM held by Pendal, the meeting was handled well with shareholders able to ask questions almost unrestricted (other AGMs have had tight parameters for asking questions eg. questions put forward via written text only with limited characters.) The process felt democratic and open with attendees able to gain assistance from Link market services when needed. Whilst Pendal Group have made some positive changes to their remuneration structure, Pendal is still falling short of ASA guidelines, with its peers using higher financial performance weightings for KPIs and higher EPS hurdles for cash EPS rights.

There has been a continuation in the fall in funds under management (FUM) and further declines in profits. Westpac continued its run-off of its legacy book, which impacted fund outflows by $2.6bn. Brexit also continued to weigh on fund outflows, with European redemptions totalling $3.3bn. Pendal's total FUM fell to $92.4bn FY20, compared with $100.4bn in FY19.

During our pre-AGM meeting and again at the AGM meeting we asked about 360-degree reviews for non-executive directors (NEDs), this review is a performance evaluation tool. We repeated this question at the AGM because at the pre-AGM meeting, we found the chair's answer to be vague, he had stated that the last completed review was 3 years ago and a new one was due. Unfortunately, we did not gain any further clarification regards this review in the AGM.

We asked about Automated Risk Management Systems both at the pre-AGM meeting and at the AGM. At the GM, the CEO Emilio Rodriguez, acknowledged that there were a number of automated systems managing risk, however there were manual workarounds to tie the systems together. He said there were plans to improve risk management further. He did not however respond to our question regards an Enterprise Risk Management System.

We voted For the election of James Evans and Deborah Page. Both Directors have held their roles for less than 9 years and are not over committed in terms of workloads as per ASA guidelines.

The Against vote this year for the remuneration report was 2.03%, down from 2.88% in 2019. We continued to point out that the incentive hurdles are too low and do not fully reflect or align with shareholders' interests but at the same time we did recognise that there was improvement in the remuneration calculations, in comparison to 2019. We consequently voted Against the package. ASA also voted open proxies against the CEO grant of share rights; the against vote totalled 1.49% versus 2.78% in 2019.

A positive outlook for a post-Covid future

The meeting held virtually due to COVID-19 restriction was not without its problems. It was no surprise to the chair that Resolution 6 seeking to change the constitutions to allow virtual meetings in future regardless of any regulatory relief offered by ASIC, attracted only 58.83% of cast votes and failed to be carried.

This was Mr Clark's 7th year as chair and the most extraordinary. In his opening address, he summarised the financial performance for FY20, the group's responses to the pandemic, the capital raising and its rationale, and its conservative balance sheet. The message from both he and the CEO was that while the company had undoubtedly suffered both in terms of revenue and unit price, their focus on local shopping centres with supermarkets as the primary anchor tenants and an emphasis on attracting tenants in non-discretionary areas had paid off. As a result, SCA had suffered far less than many others in the industry.

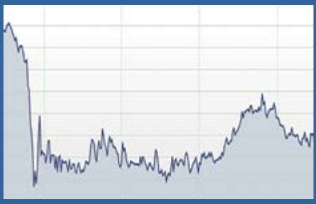
CEO Anthony Mellowes advised that the interim distribution should be in the range of 5.5 to 5.7 cents per unit with a final distribution "greater than the interim one". He also spoke to SCA's efforts on sustainability initiatives, building stronger communities and being a responsible investor and shopping centre owner.

The re-election of Philip Marcus Clark, which he confirmed will be his last term as director, was passed with 98.67% in favour. The following two resolutions covering the awarding of Long Term Incentive rights to Mr Mellowes as CEO and Mr Fleming as CFO were carried by 98.57%.

Resolution 5 sought ratification of the prior issue of stapled units arising from the capital raising conducted in April and May. It attracted a 6% vote against it. Interestingly, over 30% of ASA members who allocated their proxies to the ASA chose to abstain. Nevertheless, it was overwhelmingly carried with 94% in favour.

Mr Clark has always been gracious in his role as Chair. Among his remarks, he noted the departure of Phil Redmond as a Non-Executive Director and thanked him for his service and advised of the appointment of Steven Crane as Deputy Chair. He also recognised the work of ASA in representing retail shareholder interests. He closed his address on a positive note remarking on the resilience of SCA's neighbourhood shopping centres during the pandemic.

SCA PROPERTY GROUP AGM



1 year chart

MONITORS: Lewis Gomes and Pamela Murray-Jones

Date	25 November 2020
Venue	Virtual AGM
Attendees	11 unit holders, 3 proxy holders and 80 guests
ASA proxies	2.15m shares from 232 shareholders (equivalent to the 13th largest holder in the Top 20 list)
Value of proxies	$5.5m
Proxies voted	Yes, on a poll.
Market cap	$2.76 billion
Pre-AGM meeting	Yes, with Chair Philip Marcus Clark and Deputy Chair Steven Crane.

Transitioning to a global multi-mine business focused on base & precious metals

SFR is transitioning from a single mine company in Australia to a global miner based upon considerable exploration & evaluation efforts. Tangible improvements at the culture, sustainability, executive leadership, and ESG performance were made. Chair Derek La Ferla outlined the five execution imperatives directly associated with SFR's transition to a global multi-mine producer of base & precious metals.

In FY20 the company achieved record production and C1 costs from its DeGrussa/Monty sites in WA and the MOD Resources group including Tshukudu assets were now fully integrated into SFR. Exploration and evaluation efforts continued in Australia and Botswana. In Montana (Black Butte Copper Project), SFR reportedly received a final Record of Decision on permitting and the recently completed Johnny Lee Feasibility Study was another step forward.

NED Maree Arnason resigned from the SFR board mid-year & NED Rob Scott retired at the conclusion of the AGM. Ms Sally Langer was successfully elected as independent NED and one of her responsibilities will be chair of SFR's People & Performance Committee inclusive of remuneration.

Just prior to SFR releasing the formal poll results the chairman stressed SFR had been "very transparent" and "completely open" with the "front ended LTI remuneration incentive plan". Nevertheless, SFR received a first strike against the remuneration resolution.

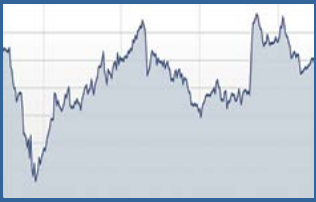
ASA supported all resolutions except Resolution 5 – Adoption of Equity Incentive. Whilst we acknowledged no shareholder rights are attached to the awards until such awards are vested, we were concerned the explanatory memorandum provided little transparency beyond the board having total control. With upcoming capital works & incremental exploration & evaluation costs we asked if SFR would include a SPP in future capital raisings. The CEO responded that it was too premature as the extent of capital raising, and the various funding options had not been determined.

The AGM was held as planned Friday November 27 and the following announcements subsequently occurred on the ASX December 2.

(1) Following completion of definitive feasibility study and final investment decision, a detailed report on the T3 Motheo Copper – silver project in Botswana is available per the following link. It is suggested interested parties make themselves familiar with the details of this growth opportunity.

(2) A 61 slide pack titled Investor Update & Outlook Presentation. Sandfire – A new era.

SANDFIRE RESOURCES AGM



1 year chart

MONITORS: Len Roy assisted by Stephen Weston

Date	27 November 2020
Venue	Virtual AGM
Attendees	NA
ASA proxies	49,832 shares from 22 shareholders
Value of proxies	$0.221m
Proxies voted	Yes, on a poll.
Market cap	$1.02 billion
Pre-AGM meeting	Yes, with Chair Derek La Ferla and Head of Corporate Affairs Sash Trpkoski.

WESTPAC BANKING CORPORATION AGM

1 year chart

MONITORS: Carol Limmer and Lewis Gomes

Date	11 December 2020
Venue	Virtual AGM
Attendees	12 Proxyholders, 127 shareholders and 1,118 visitors
ASA proxies	6.46m shares from 1,058 shareholders (equivalent to the 14th largest holder in the top 20 list)
Value of proxies	$129.2m
Proxies voted	Yes, on a poll.
Market cap	$72.05 billion
Pre-AGM meeting	Yes, with Board Chair, John McFarlane and Head of Investor Relations, Andrew Bowden.

A year to forget for Westpac

This year, Westpac's AGM lasted about 3 hours – reasonably long for a virtual meeting but a lot shorter than last year's marathon 6 hours when shareholders certainly vented their anger over the AUSTRAC debacle. There have been many changes since then – new Board Chair, new Non- Executive Directors - NEDs (Chris Lynch and Michael Hawker) as well as a new CEO and significant changes in senior management team. Alison Deans stepped down from her Director role at the AGM and Lindsay Maxsted (former Chair), Ewen Crouch and Anita Fung, stepped down during the year.

Meeting was well handled by Chair, John McFarlane (and other NEDs and CEO who answered some questions). Information available prior to the meeting clearly set out AGM procedures and this was reinforced at times during the meeting. There were addresses by the Chair and CEO and these are available on WBC website. The Chair said that WBC has reset their strategy, made management changes and launched a program to reform the way they do things. They are also continuing process of renewing the board, its committees and its approach to oversight.

CEO, Peter King, recapped on the AUSTRAC shortcomings and mentioned the reviews undertaken, consequences applied and the commencement of addressing issues. He said that shareholders were rightly disappointed, it should not have happened and apologised. He mentioned that the civil penalty and COVID resulted in lower dividends which was difficult for many.

All questions raised by ASA were specifically acknowledged and addressed.

All NEDs standing for election/re-election personally addressed shareholders on the skills, knowledge and experience they bring to and complement the WBC board overall. Coming to the meeting ASA was undecided in relation to Peter Nash and the Remuneration Report given the 2 recent revelations concerning Liquidity Ratio and Enforceable Undertaking. However, as the meeting progressed and given the explanations from WBC, ASA voted FOR both motions.

Voting was more positive than last year – Equity Grant to CEO - 98.52% FOR, Remuneration Report - 97.66% FOR, Peter Nash – 87.1 % FOR, John McFarlane - 94.73 % FOR, Chris Lynch – 99.58 % FOR and Michael Hawker – 99.55% FOR. The Non-endorsed Board candidates received just over 1% FOR.

WESTERN AREAS LIMITED AGM

1 year chart

MONITORS: Geoff Corrick assisted by Lynda Newland

Date	19 November 2020
Venue	Hybrid – Perth, WA and online.
Attendees	35 shareholders plus 12 visitors in the room, 15 web viewers.
ASA proxies	0.16m shares from 22 shareholders
Value of proxies	$0.335m
Proxies voted	Yes, on a poll.
Market cap	$575m
Pre-AGM meeting	Yes, with chair Ian Macliver and CFO Joe Belladonna.

Exciting progress towards Odysseus mine restart

Chair Ian Macliver gave a short address summarising the financial year and acknowledging the workforce for their management of the COVID-19 pandemic. The latter allowed production at Forrestania and development at the Cosmos project to continue without major interruption. The company achieved the best NPAT in seven years and finished the year in a strong cash position with no debt once again. The volatility of the nickel price continues but some upward movement is apparent, attributed to the current demands of stainless steel production and reduced availability of nickel pig iron feedstock in China.

The focus remains on maximising cash flow from the Forrestania operations to help fund the Odysseus mine development at Cosmos. However, guidance for the current year was adjusted down in late October because of the lower grade ores being mined. The company made a strategic 19.9% investment in Panoramic Resources Limited at the end of the financial year and is looking forward to the restart of its Savannah Project.

On the formal business the ASA representative was the only speaker on any of the items. The Environment, Social and Governance report which gives details on the company's initiatives is available in an announcement (20 October 2020) or through the company website under the ESG/corporate governance tab.

We supported Yasmin Broughton's nomination given her qualifications, experience and skills. The company raised the female representation on the board above the ASA guideline of 30% and setting an example to many larger companies in the top 200. We supported both resolutions 2 (re-election of Natalia Streltsova) and 3 (re-election of Tim Netscher) each for the same reasons.

We voted for the remuneration report. Our main objection is the single hurdle for LTI vesting and the period over which performance is measured. LTIs measured early in FY20 did not vest due to not meeting the relative total shareholder return performance hurdle. All were cancelled. We express our opposition to the LTI plan by voting against it when it comes up for renewal every three years, and every year when approval is sought for grants under the plan to the managing director- resolution 5 this year. In speaking against the resolution again this year we stressed that we think LTIs are a good idea; we just don't like the current plan.

All resolutions were carried on a poll with support from more than 98% of voted shares.

Research update: ESG issues impacting your investments

By Team Altiorem

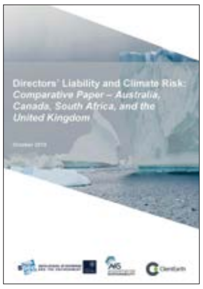
Each month we will share Altiorem's newest and most popular research with ASA members, keeping you up to date and hopefully, sparking your interest in some of the pressing environmental, social and governance issues that are impacting your investments. Our research summaries make it simple for shareholders to grasp key concepts without being an expert which helps you to make informed decisions and smarter investment choices.

Altiorem is the world's first community-built sustainable finance library. Our free online library supports investors interested in long-term performance and the allocation of capital towards a flourishing economy, society and environment.

Altiorem's resources help shareholders better understand the role environmental, social and governance (ESG) issues play in portfolio construction, risk management, returns and shareholder advocacy.

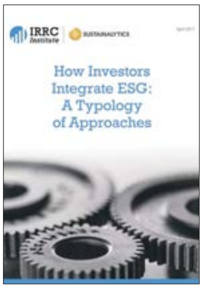
Altiorem provides members free access to the sustainability research that investment professionals use. Research is summarised and categorised by key issues and leading sustainability standards. Our goal for Altiorem is to give the investment community access to free, high quality, relevant and accessible material they can easily use to inform and ignite the case for change.

Trending research



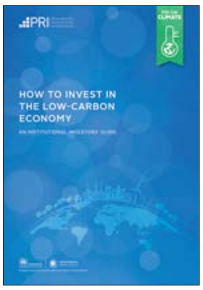
Directors' liability and climate risk: Comparative paper - Australia, Canada, South Africa and the United Kingdom, Commonwealth Climate and Law Initiative

A high-level legal analysis of directors' duties that relate to climate risk in four major Commonwealth countries: Australia, Canada, South Africa and the United Kingdom.



How investors integrate ESG: A typology of approaches, Sustainalytics and IRRCi

Examines how investors are applying corporate ESG information to their investments. Guiding investors to navigate the rapidly changing responsible investing landscape by developing a typology that classifies approaches to ESG integration.



How to invest in the low-carbon economy: An institutional investors' guide, PRI

Introduces investment strategies to align portfolios with a lower carbon economy. Focusing on three main areas for investor action: climate-aligned investment opportunities, integration of climate-related risks and opportunities, and phasing out thermal coal.

Tech giants' investments in renewable power purchase agreements lead the way: Saving money while the sun shines (and the wind blows), IEEFA

Information and communication technology giants are leading the private sector in the uptake of power purchase agreements and direct renewable investment. Explores the strong business case behind their investments.

New Research

Looking beyond traditional gender lens investing approaches using Access Impact Framework in support of SDG 5: Gender equality, Cornerstone Capital Group

Explains how Cornerstone Capital's Access Impact Framework enables investors to invest in opportunities to achieve gender equality and empowerment of girls, aligning with Sustainable Development Goal (SDG) 5.

Guide posts for investment in primary health care and projected resource needs in 67 low-income and middle-income countries: a modelling study, The Lancet

Presents measures for primary health care (PHC) investments and projects the associated resource needs in 67 low-income and middle-income countries. PHC is a driving force for advancing towards universal health coverage.

Australia's welfare 2019: Data insights, Australian Institute of Health and Welfare

Presents an overview of the welfare data landscape and explores selected welfare topics – including intergenerational disadvantage, income support, future of work, disability services, elder abuse and child wellbeing.

Getting to green: Showcasing leading approaches to climate change within the European banking sector, ShareAction

Highlights how banks are affected by climate change and have the ability to create impact through their support and finance of industries. Recommending how banks can align with the Paris Agreement.

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