



24 April 2006

Mr Tim Sheehy
Chief Executive
Chartered Secretaries Australia
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5 Hunter Street
Sydney NSW 2000

By email: tim.sheehy@CSAust.com

Dear Mr Sheehy

CSA discussion paper: Expressing the voice of shareholders; a move to direct voting

Thank you for the opportunity to comment on the CSA discussion paper "Expressing the voice of shareholders; a move to direct voting".

The Australian Shareholders' Association agrees that there are difficulties with the existing system for allowing shareholders who are unable to attend meetings to exercise their votes. Shareholder participation (or voting) may be constrained due to confusion about the impact of resolutions, difficulties with comprehending the notices or a feeling that the board will ignore the wishes of smaller shareholders.

The introduction of direct voting (given the provision that a member who has cast a direct vote on a resolution can rescind the earlier vote by appointing a proxy (or corporate representative) or personally attending the meeting as a critical feature of the direct voting proposal) would enable those investors who find the current system confusing to cast a vote.

We caution that shareholder participation will fall if the AGM becomes a forum where shareholders wishes and questions are ignored because the outcome of resolutions is already known bey the time of the meeting.

Please refer attachment for further comments on the proposals.

Yours sincerely,

Stuart Wilson
Chief Executive Officer



Comments relating to discussion paper (extracts in italics)

On page 8 the following comment appears: *“Voting on a show of hands is frequently undertaken in a desire to keep the meeting progressing and not have shareholders waiting disproportionate amounts of time while votes are counted on a poll. Ensuring that all votes are lodged with the company or share registry will expedite counting votes on a poll.”*

Voting on a show of hands is a courtesy to those shareholders who have made an effort to attend the meeting. It also allows those present to ask questions about the resolutions and respond to the answers by selecting which way to vote at the meeting. There are a number of chairman of leading companies who successfully conduct their meetings to everyone’s satisfaction.

Further on page 8 *“Commentators have argued that direct voting would be a step toward virtual meetings, that is, meetings without shareholders being present. Some investors have expressed concerns that electronic-only meetings would deprive them of the opportunity to meet with company representatives face-to-face. Such a loss would interfere with the capacity of investors to better express their positions, to question directors in their role as stewards of the company and the opportunity for management and the board to listen more closely when communications are made in person.”*

We do see a risk that if there is no influencing of voting patterns by what is said at the AGM, less effort may be devoted to providing satisfying answers.

Page 9 *“Breakdown or overload of technology”*

Provided there are alternative systems available as back up such as return mail (to cope with an investor’s PC crashing or the website being overloaded when the proxy closing time is imminent), this technological reliance should be manageable.

“The AGM will not be jeopardised

It has been argued that shareholders will not bother turning up to general meetings if they have already had their say through direct voting. There is a fear that if direct voting is introduced meetings will become faceless. However, if that were the case, the appointment of proxies would have already made this occur.”

As referred to above we see a risk that if the votes are already predetermined prior to the meeting, the less shareholder friendly companies will not engage with their shareholders at the AGM. In such a case we would see attendance fall as shareholders perceive a cavalier attitude by the board.

Page 10: *“The sample rules set out in this paper (see Appendix B) indicate that a member who votes directly cannot vote in person at a meeting or by proxy. However, as a replaceable rule under the Act, or in its constitution, a company could provide that a member who has cast a direct vote on a resolution will have that vote counted on a poll unless the member appoints a proxy (or corporate representative) or personally attends the meeting.”*

As implications of voting may emerge closer to the meeting date through media debate and feedback from other shareholders, shareholders value the opportunity to rescind their vote with the option to attend the meeting and vote in person (or have a proxy vote at the meeting) if the proxy/vote lodgement closing time has passed. We see the provision that a member who has cast a direct vote on a resolution can rescind the earlier vote by appointing a proxy (or corporate representative) or personally attending the meeting as a critical feature of the direct voting proposal.

In relation to the Sample Direct Voting Form we would suggest that a combined form for direct and proxy voting would clearly give a choice between direct and proxy voting. We would expect that a proxy may still be granted a directed vote, for all or some of the resolutions. Given complaints received by the ASA regarding online proxy forms, there appears to be some confusion as to whether the current systems accepted a mix of open and directed voting for resolutions. Further we have a number of members who wish to indicate each of their votes, but wish the ASA to speak on their behalf and report their votes.



APPENDIX C Questionnaire

[Q1] Do you agree, in principle, with the need for an addition to the current system of appointing proxies as the sole means of providing for shareholder participation if shareholders are unable to physically attend the general meeting?

We agree that there are difficulties with the existing system for allowing shareholders who are unable to attend meetings to exercise their votes.

[Q2] Do you think that the proposal to introduce direct voting would increase shareholder participation?

Shareholder participation may be constrained due to confusion about the impact of resolutions, difficulties with comprehending the notices or a feeling that the board will ignore the wishes of smaller shareholders.

The introduction of direct voting provided the provision that a member who has cast a direct vote on a resolution can rescind the earlier vote by appointing a proxy (or corporate representative) or personally attending the meeting as a critical feature of the direct voting proposal would enable those investors who find the current system confusing to cast a vote.

[Q3] Do you believe there are further advantages attached to the introduction of direct voting than have been outlined in this paper?

The advent of direct voting may inspire companies to enhance clarity in the setting out of the explanations for each resolution and the benefits of voting for them.

[Q4] Can you point to any disadvantages attached to the introduction of direct voting?

The Australian Shareholders' Association acts as proxy for many shareholders at many company meetings. The Association is often selected to be proxy because shareholders want their vote to count; they want their vote to be cast based on the policies of the Australian Shareholders' Association and our analysis of the proposals in the light of our policies and most critically they want the proxy holder to evaluate what is said in the meeting before finally casting their vote.

We urge retail investors to indicate their vote where appropriate. Even if the vote is contrary to the ASA voting intention, a directed vote gives an indication of how the resolution has been received by proxy-givers.

We see a risk that resolutions tabled for the meeting may be considered to be old news and therefore the discussion which is often reported to a broader audience in the media will not take place. If the shareholders feel their voice is of no consequence they will not participate in the process.