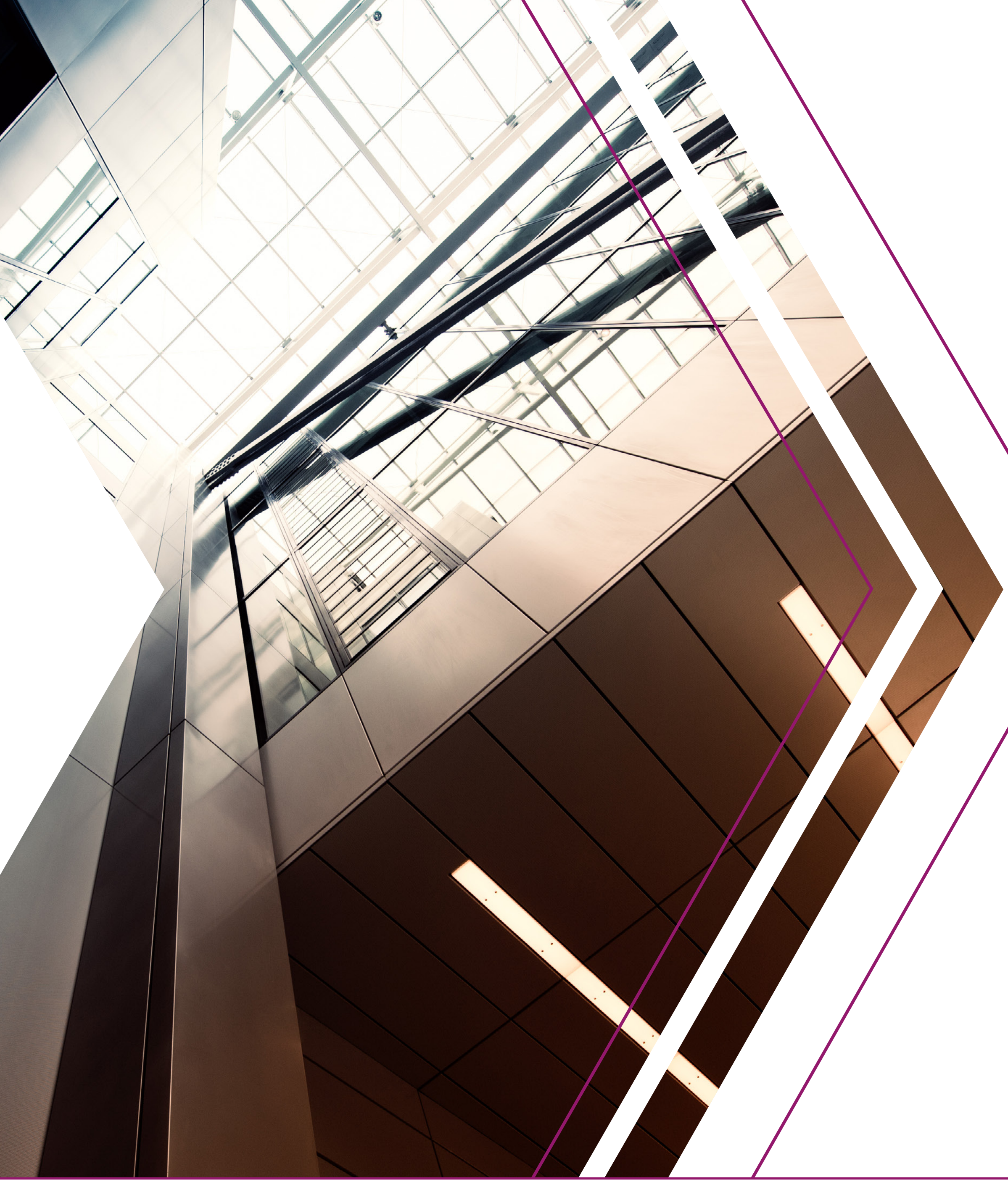


2023

ASM Intelligence Report
NEW ZEALAND

A look at the findings from the 2022 annual meeting season.

CERTAINTY | INGENUITY | ADVANTAGE

Computershare | Georgeson

Contents

Introduction

Throughout 2022, companies continued to utilise ASM technology to facilitate shareholder engagement and improve accessibility, with 62.8% of issuers continuing to conduct hybrid ASMs. Typically, smaller issuers delivered physical or virtual meetings using our meeting technology and expertise to achieve successful outcomes.

The percentage of shareholders voting has continued its decline over the last 12 months with the percentage of votes received via online channels dropping marginally. However, online remains the preferred method, with almost three quarters of votes submitted online and 20% of those online votes submitted via a mobile device.

We also witnessed a decline in issued capital voted, though we did see a higher percentage voted for NZX50 companies who typically have a larger and more engaged institutional shareholder base.

Attendance is increasing but has not yet returned to pre-Covid levels. Where online access is offered, we often see a high level of guests who are most likely passive shareholders. These shareholders may have already voted or simply want to listen to the meeting.

The recently approved NZX Corporate Governance Code takes effect from 1 April 2023. Principle 8.2 of the Code encourages issuers to facilitate hybrid meetings and clarify when in-person meetings may be appropriate. This is especially pertinent for those companies in the S&P/NZX 50 or those with geographically diverse registers. It also provides additional guidance as to how issuers can assist investors in understanding and participating in the virtual aspects of meetings. You can access the NZX Corporate Governance Code **here**.

Shareholder activism continued to challenge issuers throughout 2022, with ESG related items being at the forefront for several sectors. Our Georgeson team provide comprehensive insights into the evolving environmental, social and governance landscape in the second half of this report.

We hope you enjoy this report and would be happy to discuss further if you have any comments or questions. Please contact either myself on **stuart.jury@computershare.co.nz** or Cassandra White on **cassandra.white@computershare.co.nz**.

Stuart Jury
Managing Director
Issuer Services
New Zealand

ASM INTELLIGENCE

A comprehensive review of the 2022 ASM landscape.

RETURN TO CONTENTS

ASM format

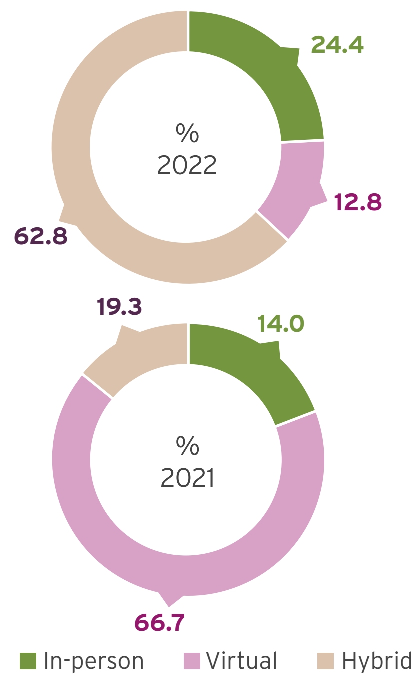
Hybrid meetings are the most popular meeting format and likely to continue. NZX is reviewing its Corporate Governance Code with a proposed change that would encourage issuers in NZX50 or with geographically diverse registers to conduct a hybrid meeting.

2022 saw the return of stability in the conduct of annual shareholder meetings, with companies utilising changes introduced during previous years.

Throughout the year, 12.8% of our clients retained a virtual-only approach to meetings and 24.4% returned to the in-person format.

However, it became clear that many companies are still maximising the power of ASM technology to facilitate increased shareholder engagement, with 62.8% of our clients choosing to run a hybrid ASM.

ASM FORMAT (2022 v 2021)



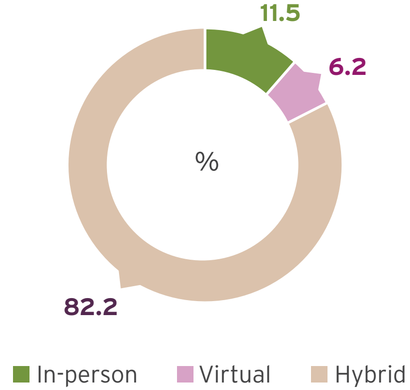
"The relationships between companies, their Board and their shareholders fulfill a key function in capital markets. The core functions provided by registries, such as Computershare, ensure that shareholders are kept informed of the key events actions that impact their company and enable them to hold their representatives on the Board to account for their company's performance."

Oliver Mander
CEO, New Zealand Shareholders' Association

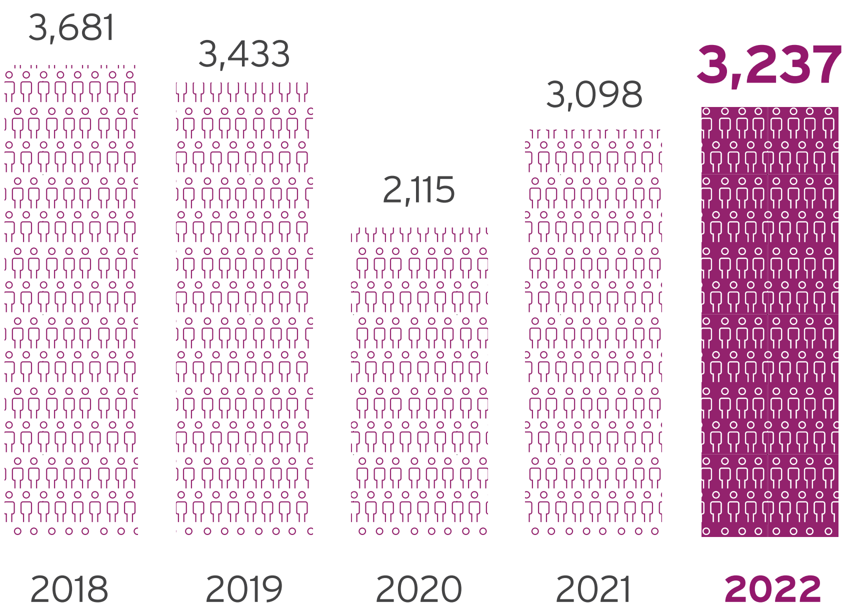
Attendance

Overall, our data shows attendance rising over the last 12 months. However, attendance levels remain lower than in 2019, prior to the pandemic. With many issuers retaining an online meeting component, we are seeing a high number of attendees registering as guests and not actively participating in proceedings, these are likely to be "passive shareholders".

OVERALL ATTENDANCE SPLIT BY MEETING TYPE



TOTAL ANNUAL ASM ATTENDANCE



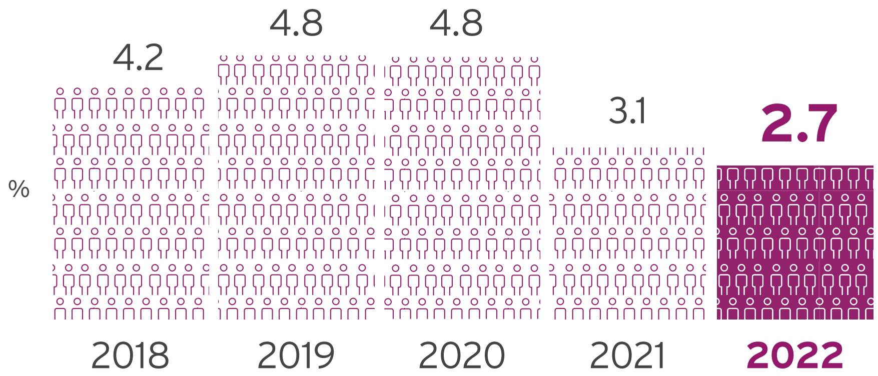
Voting

The percentage of shareholders voting has continued to decline over the last two years.

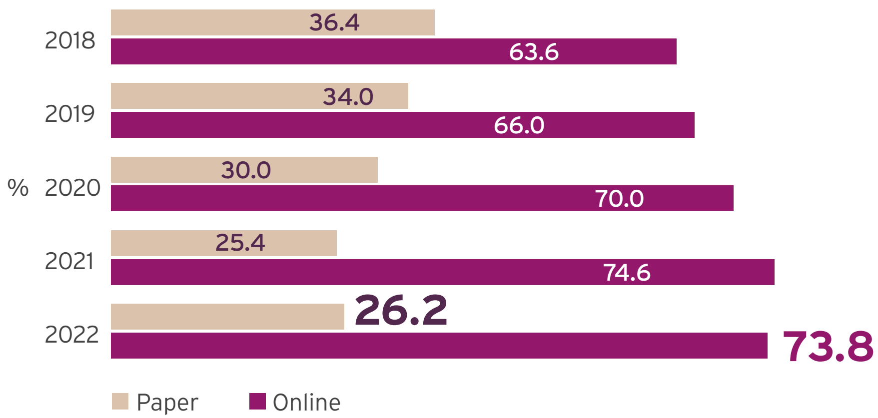
The percentage of shareholders voting has dropped the past two years and is yet to return to pre-Covid levels.

Although we've witnessed a marginal drop in the percentage of votes submitted online throughout 2022, shareholders still demonstrate a clear preference for online voting as a whole.

PERCENTAGE OF SHAREHOLDERS VOTING



PERCENTAGE OF VOTES RECEIVED ONLINE VS PAPER



INVESTORVOTE – MOBILE VS DESKTOP

%	Mobile	Desktop
2019	13.9	86.1
2020	14.8	85.2
2021	20.7	79.3
2022	**20.6**	**79.4**

Overall, issued capital voted has dropped slightly in the last 12 months however more votes are being lodged prior to the meeting.

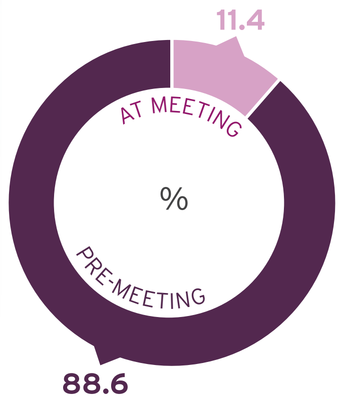
ISSUED CAPITAL VOTED

	2018	2019	2020	2021	**2022**
NZX50	55.6	58.6	55.6	57.1	**56.3**
OUTSIDE NZX50	42.0	46.3	42.0	43.0	**39.1**
OVERALL	46.4	50.5	46.4	47.4	**45.0**

%

While the percentage of issued capital voted remained steady for companies in the NZX50, for those outside it has dropped from previous years.

2022 ISSUED CAPITAL VOTED



NZX SNAPSHOTS

A focus on the NZX50 and beyond.

RETURN TO CONTENTS

NZX50

Issuers in the **NZX50** showed a strong preference for hybrid meetings and issued capital voted remained steady.

VIRTUAL	HYBRID	IN-PERSON
3.3%	83.4%	13.3%

7.4%

SHAREHOLDER ATTENDANCE

% SHAREHOLDERS VOTING

7.8%

ISSUED CAPITAL VOTED PRE-MEETING	TOTAL ISSUED CAPITAL VOTED
93.5%	56.3%

Outside NZX50

For issuers **outside NZX50**, we saw varied preferences for meeting format, with many choosing virtual or in-person.

VIRTUAL	HYBRID	IN-PERSON
18.8%	50.0%	31.2%

0.9%

SHAREHOLDER ATTENDANCE

% SHAREHOLDERS VOTING

20.8%

ISSUED CAPITAL VOTED PRE-MEETING	TOTAL ISSUED CAPITAL VOTED
72.0%	39.1%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The latest market insights from Georgeson, exploring the evolving environmental, social, and governance landscape in New Zealand.

RETURN TO CONTENTS

Introduction

Throughout what could be described as another tumultuous year, Georgeson observed several trends, including an increase in the number of proxy fights across global markets and the investment community honing in on remuneration, board structure, cybersecurity, climate change and other ESG factors.

ESG continues to make headlines across the globe, notably in New Zealand with mandatory TCFD aligned reporting under the Aotearoa New Zealand Climate Standards coming into effect and in Australia with the derailing of AGL Energy Limited's planned demerger and the election of non-board-endorsed directors.

ESG can mean different things to different stakeholders, however for companies, the focus is on topics that will have a material impact on their long-term value. We also saw several sophisticated cyber-attacks which provided clear lessons for companies, shareholders and customers, demonstrating that all parties are exposed to cybersecurity risks.

ESG risk is no longer seen as an emerging trend but is now a fundamental, front-line concern. These risks and opportunities continue to impact corporate strategy and play a major role in the boardroom through governance frameworks. Therefore, it is critical for directors to identify and address the issues facing their companies. Boards need to actively demonstrate effective oversight of risks and opportunities and management teams must be transparent about their approach to addressing these issues.

At Georgeson, we continue to engage and foster relationships across the market. These relationships enhance our core proxy solicitation expertise, which is complemented by our strategic advisory services.

These include: investor identification, ownership and voting insights, ASM and M&A shareholder engagement strategy, vote projections and ESG strategy and implementation support.

We continue to be a trusted corporate governance advisor, helping organisations around the globe maximise the value of their relationships with investors and other ESG stakeholders. We hope you find this year's ASM intelligence report insightful and look forward to working with you in the year ahead.

Andrew Thain
Country Head and Managing Director,
Georgeson, ANZ

Say on Climate

Globally, investors approved the corporate climate strategies put forward, mostly by large majorities.

Companies globally are wary of allowing shareholder votes on Say on Climate resolutions, but are prepared to agree to non-binding company resolutions instead. UN PRI (UN Principles of Responsible Investment) reported in July 2022 that of 576 ESG-focused resolutions globally in 2022 (2021: 499), fewer than 100 were Say on Climate.

In New Zealand, Say on Climate has not yet been seen at NZX50 ASMs, however the two major proxy advisors, CGI Glass Lewis and ISS, both strongly favour climate disclosure and will evaluate any Say on Climate proposals put forward on a case-by-case basis. Considerations each will take into account include:

CGI Glass Lewis:

- Considers whether climate strategy is aligned to the company's long-term business strategy.
- Wants to know how the board intends to interpret the vote results.
- Recommends TCFD-aligned reporting;
- Will assess if GHG emissions are reasonable given industry, size, operation and risk.
- Wants to see progress on climate reporting.

ISS:

- Will check for alignment with the TCFD recommendations.
- Expects disclosure of GHG emissions (Scopes 1, 2, and 3) and targets for reduction.
- Expects third-party assurance and science-based approval.
- Wants a commitment to net-zero by 2050, including a plan to get there.
- Will review how the company's lobbying activities align with strategy.
- Seeks to understand specific industry decarbonisation challenges.
- Will assess a company's performance compared to its industry peers.

The newly adopted Aotearoa New Zealand Climate Standards, applicable this year, are broadly TCFD-aligned and therefore reasonably match the expectations of both Glass Lewis and ISS. However, they only currently apply to around 200 NZ entities, whereas the proxy advisors are looking for increased disclosure by **all** companies – suggesting that NZ companies would be well advised to embark on TCFD reporting now rather than waiting for it to become mandatory. See separate piece '**Mandatory TCFD-aligned climate change disclosure has arrived**'.

Globally, during the 2022 proxy season, more investors voted against corporate climate strategies than in 2021, according to an MSCI analysis. Investors tended to vote against climate plans where the company's emissions trajectory was misaligned with global temperature targets, as measured by the MSCI Implied Temperature Rise (ITR).[1]

Investors approved the corporate climate strategies put forward, mostly by large majorities. However, the average global votes Against trebled from 3.1% in 2021 to 9.6% in 2022, indicating increasing concern among some investors.

Recent turmoil in energy markets following the war in Ukraine, the global energy crisis and a resulting focus on energy security in many countries may change some investors' voting behaviour. In 2023, we will see if investor opposition to corporate climate strategies continues to increase, or whether more investors will give companies the benefit of the doubt on their climate plans while the current challenging market conditions persist.

[1] MSCI Implied Temperature Rise is designed to show the temperature alignment of companies, portfolios and funds with global climate targets. It compares a company's current and projected greenhouse-gas emissions across all emission scopes with its share of the remaining global carbon budget for keeping global warming well below 2°C. It converts a company's "undershoot" or "overshoot" of its carbon budget to an implied rise in average global temperatures this century, expressed in degrees Celsius. (MSCI)

It will be interesting to see if Say on Climate votes start to appear in New Zealand ASMs in 2023. The new Aotearoa New Zealand Climate Standards may offer a good way for companies, particularly high emitters, to pre-empt this happening by reporting against TCFD as soon as possible.

Georgeson's Insights

- Say on Climate votes are increasing but not rapidly.
- To avoid facing a shareholder climate resolution or votes against individual directors, companies need to:
  - Ensure they have a clear plan to transition to Net Zero that is adequate, credible and aligned with the Paris Agreement goal to keep global warming to 1.5°C.
  - Show awareness that their transition plan, particularly if they are a major emitter, will be challenging and take many years to implement.
  - Take investors on the journey even before the plan is complete, and explain carefully the stages, step targets, processes and costs likely to be incurred to get there.
  - Avoid vague statements about using 'offsets' or 'carbon credits', with no ambition to cut their emissions significantly and implying they can continue with business as usual. These show a lack of seriousness and will set the scene for hostile shareholder resolutions or votes against directors.
- UNPRI recommends that investors facing shareholder Say on Climate resolutions should prioritise proven stewardship mechanisms to steer company ambition and execution (e.g. corporate engagement, filing and voting on shareholder proposals, voting on board composition) over company-led transition plan votes – clearly worried some companies are trying to win such votes with less than rigorous transition plans. This demonstrates the need for heavy-emitting companies to produce clear and credible Net Zero plans.

Mandatory TCFD-aligned climate change disclosure has arrived

Climate change is now recognised globally as a financially material topic for companies. In New Zealand, the disclosure of climate impacts has become a mandatory compliance requirement for around 200 entities since 1 January 2023. It is very likely that it will be extended to other companies in future years.

Governments and regulators around the world are committed to keeping global warming in a range between 1.5°C and 2°C to limit the risks of catastrophic climate change caused by an ever-increasing build-up of carbon emissions and resulting rising atmospheric temperatures. The key requirement is to transition the global economy away from emissions-intensive energy by reducing greenhouse gas (GHG) emissions.

Large institutional investors already understand that the drastic decarbonisation of the economy requires significant investment in the short and long term. To manage risk in their portfolios they are insisting that companies provide clear, detailed information about their carbon footprint and the actions they are taking to reduce it. More and more investors now expect issuers to make detailed TCFD disclosures, identifying the risks and opportunities of climate change and its potential financial impact on the company. Some investors are getting ready to punish laggards by voting against directors or withdrawing their capital to invest elsewhere.

Who is affected?

All NZX-listed companies with a market capitalisation of more than $60 million; large, licensed insurers, banks, credit unions, building societies and managers of investment schemes with more than $1 billion in assets; as well as some Crown financial institutions via letters of expectation.

What is expected of eligible issuers?

The External Reporting Board (XRB) developed 'adoption standards' through three phases of public consultation during 2021 and 2022, to provide climate-related guidelines for companies, and these were issued in December 2022. Mandatory disclosures are aligned to the TCFD framework, with seven specific exclusions, known as 'optional adoption provisions' permitted for companies in their first year(s) of reporting. These are not a get-out-of-jail-free card, though, as in most cases, companies taking advantage of these exclusions must explain why they do not have the relevant information, and must include these exclusions in the Statement of Compliance accompanying their disclosure.

Mandatory assurance is a key requirement

Importantly, the climate standards specify that parts of the disclosures must be subject to an assurance engagement, including the GHG emissions (Scope 1, 2 and 3) and GHG emissions standards that have been used. Compliance will be monitored by the Financial Markets Authority (FMA), and failure to do so can lead to fines and/or imprisonment consequences for directors and/or the reporting entity.

Getting started: TCFD-aligned disclosures beyond compliance

Issuer Board members and management may feel overwhelmed by the apparent complexity of the subject. However, the three parts of the standards explain clearly what is required. In brief:

- NZ CS1 sets out the main disclosure requirements – the specific disclosures that must be made under each of the headings of Governance, Strategy, Risk Management and Metrics & Targets.
- NZ CS2 describes the seven 'optional adoption provisions' (i.e. exclusions) and the requirements for utilising them.
- NZ CS3 explains the general principles for making disclosures, in addition to the specific details set out in CS1, for example principles related to fair presentation, information and presentation, value chain, cross-referencing, reporting currency, materiality and so on.

Each of the three standards also contains some background on the consultation process that led to the relevant Climate Standard being finally adopted in its current form.

Get started NOW

We are advising our clients: do not wait for the end of the financial year 2023 before starting work. Start now! While the XRB expects that it will take companies time to develop their reporting, this does not provide an excuse for late or poor-quality disclosures.

Setting up data capture processes for current and previous years, disclosing TCFD-aligned metrics early, identifying climate-related risks and opportunities and moving as fast as possible to start the scenario analysis that will help you quantify the costs of climate change in the future. They will help guarantee a smooth transition towards mandatory disclosure whilst providing meaningful and comparable climate-related information to stakeholders from the first report.

Although climate change is a real risk, it is not by any means all negative; it also presents numerous opportunities for businesses to develop and bring to market new climate-friendly products and services.

With countries globally now committed to cutting emissions significantly, the focus is quickly changing from governments to companies, which will more and more be expected to do the heavy lifting on emissions reduction. Getting started on TCFD reporting, identifying future opportunities and being able to quantify the future financial costs of climate change to the business will put issuers in a strong position to successfully manage the transition away from carbon.

Some practical tips to consider:

TCFD consists of four core pillars – Governance, Strategy, Risk Management and Metrics & Targets – and includes 11 recommended disclosures designed to be interrelated throughout.

- **Governance:** Specify how climate-related risks and opportunities are addressed at both board and management level. This helps you assess which climate change issues are relevant.
- **Strategy:** Identify what you consider to be short, medium and long-term horizons and apply scenario analysis to recognise the material and financial impacts of climate change over time.
- **Risk Management:** Explain how you are assessing climate-related risks relative to wider business risks.
- **Metrics & Targets:** Capture, analyse and report your GHG emissions in a comparable way to allow for detailed trend analysis over time and against industry best practice.

Georgeson's Insights

- If you are one of the 200 entities required to report in 2023, you have probably already started work on preparing your first report. If not, start immediately.
- Don't assume that if you are outside the first 200 you have plenty of time and can relax. Reporting against the Standards will take time as you strive to understand both them and your company's specific issues.
- Getting started means preparing and implementing a 1-3 year plan – identifying the team, setting up data capture, working with management and the Board, sourcing an external assurance provider, then drafting responses for multiple rounds of editing and sign-offs.
- Accept that some parts will be difficult – they are for every company. Probably the most difficult parts:
  - Establishing accurate Scope 3 emissions.
  - Scenario planning and quantifying the future costs of climate change - it will take time to fully understand what is required and then undertake the calculations needed. You may need to seek external expert help.

  That is why you need to start work as soon as possible.

Board ESG accountability

So that boards can adapt and respond to the rapidly evolving ESG landscape, directors' skills, capabilities and perspectives must continually evolve.

ESG is no longer an emerging risk for organisations but a fundamental, front-line issue. With 80% of company balance sheets worldwide comprising intangible assets, reputational risk is a major issue. ESG exposure is likely to grow as environmental and social issues increasingly draw public and investor attention. It is not clear that all directors are yet fully across the need to understand ESG and to regard it as a core and fundamental part of their duties. They can no longer afford to view governance solely as a compliance issue.

Directors' ESG responsibilities

ESG plays a major role in the governance framework of an organisation and it is critical for directors to be able to address the ESG issues facing their companies. Investors and other users of ESG disclosures need to understand how effectively the board oversees climate-related and other key ESG issues and how management deals with them.

The Companies Act 1993, NZX Corporate Governance Code (NZ CGC) and the NZX ESG Guidance Note define directors' ESG responsibilities in New Zealand. The NZ CGC, in a new Recommendation 4.4, gives some guidelines on how non-financial information should be reported, saying it should '...be informative, include forward-looking assessments and align with key strategies and metrics monitored by the board.' Note that new commentary to NZ CGC 4.4 encourages issuers to report the process by which their non-financial reporting disclosures have been prepared where it has not been subject to formal review of audit by an external auditor.

The NZX ESG Guidance Note provides a resource to help NZX issuers understand the benefits of ESG reporting, provide information about global frameworks, and support the effective communication of ESG opportunities and risks to investors and other stakeholders.

In addition to regulators, many large investors also have their own disclosure requirements, which vary from investor to investor.

So that boards can adapt and respond to the rapidly evolving ESG landscape, Directors' skills, capabilities and perspectives must continually evolve. In a recent report, Deloitte wrote that future-fit boards need strong governance foundations, plus directors who can *'add value through their heightened sensitivity to ESG issues, stakeholder capitalism, social licence to operate and elevated employee expectations.'*[1]

[1] https://www2.deloitte.com/au/en/pages/risk/articles/bold-moves-boardroom-skills-capabilities-fit-future.html

However ESG is not just a series of risks, but can also present companies with huge opportunities, so boards must be expert enough to ensure that these are realised too.

The 2021 Sustainability Board Report[2] found that 71 of the 100 world's largest public companies have a committee overseeing sustainability, but only 17% of directors on the committees had relevant ESG training or experience.

Board composition and training

The board's composition must ensure that ESG responsibilities are managed – either via an existing board committee, a new committee or with some board members taking on ESG responsibilities. If the Risk & Audit Committee is responsible, which may be appropriate as its role includes ensuring compliance with public reporting and statutory disclosure requirements, then it needs to include directors with relevant ESG expertise. As ESG becomes broader in scope and more heavily regulated, this need will only increase. In some companies, directors with specific expertise may need to be added, for example, supply chain experts for logistics companies or cybersecurity experts for transaction platforms.

Bloomberg Law states, 'there is no 'one size fits all' approach to board…ESG oversight, and each board must evaluate its own circumstances, expertise, industry and composition to determine how best to discharge its ESG responsibilities.'

If the company's Board Skills Matrix shows low ESG expertise on the board, there is ESG training offered by tertiary bodies and other organisations like the Institute of Directors New Zealand (IOD). We at Georgeson also offer ESG Education for boards, providing an investor-focused overview of the ESG ecosystem, governance, reporting and ESG ratings agencies.

Georgeson's Insights

- Directors should not wait for mandated ESG disclosure and compliance, but instead go onto the front foot and ensure the company meets these expectations.
- Add ESG to the board skills matrix – ensure a minimum of one director has sufficient ESG knowledge, particularly on the most material topics, to challenge management.
- Before trying to report on ESG, establish a structured ESG governance framework. This is particularly important for the companies mandated to report under the new Aotearoa New Zealand Climate Standards.
- Allocate clear responsibility for oversight of ESG issues to a board committee.
- Don't just focus on governance and environmental issues – social ones related to talent, cybersecurity, supply chains, privacy and diversity are rapidly becoming critical.

[2] https://www.boardreport.org/the-sustainability-board-report-2021

Cybersecurity for investors and proxy advisors

Cybersecurity and measures to prevent cyber-attacks are more important than ever for investors and proxy advisors, as they affect all corporations regardless of industry.

Sophisticated cyber-attacks, such as the hacks in New Zealand throughout 2021 and 2022, have exposed the vulnerability of corporations in New Zealand to shortcomings in their security systems. Such attacks not only involve negative media coverage, possible fines and other financial costs for these firms, but they also erode customer and stakeholder trust. As a result, cybersecurity and measures to prevent cyber-attacks are more important than ever for investors and proxy advisors (not to mention customers) and they affect all corporations regardless of industry.

The New Zealand National Cyber Security Centre (NCSC) recorded 350 cyber security incidents in 2021/2022, compared to 404 in 2020/2021. NCSC puts the difference down to a number of contributing factors, including its focus on the potential impact of cyber activity as a consequence of Russia's invasion of Ukraine and NCSC's increasing ability to detect malicious cyber activity before actors compromise victim networks.

Since the end of 2021, proxy advisor CGI Glass Lewis has partnered with BitSight Cybersecurity Ratings to include an evaluation of the cyber risk performance of corporations in their Proxy Papers. The data provided is similar to an ESG rating but focused specifically on the cyber security ecosystem. BitSight's assessment is based on public disclosures examining company policies, due diligence processes, user behaviour and data breaches, amongst other issues.

CGI Glass Lewis' Proxy Papers already include ESG scores from third parties Sustainalytics and Arabesque. These ratings are publicly available on their respective websites, giving issuers the ability to check their score ahead of the ASM or at any other time. However, BitSight's Cybersecurity Rating assessments are not public, so if issuers want to know their score, they have to request a free report from BitSight directly. Paid versions, including a full assessment, are also available. Issuers can also engage with BitSight to address any issues or concerns raised in the assessment.

From an investor point of view, the aim is to understand a company's exposure to data privacy and security risks and the possible financial implications. That is to say, how material are cybersecurity risks for the company?

BlackRock's Approach to Data Privacy and Security for Investment Stewardship provides more guidance for issuers. They expect the board to effectively oversee cybersecurity risk, particularly if it is a material risk for the organisation. BlackRock also considers whether customer consent and personal data processing are being appropriately managed to ensure a minimal risk of information being lost or stolen. To avoid any controversies, issuers should disclose their due diligence process for ensuring that transfers of information to third parties are carried out in an appropriate manner.

Interestingly, the recent data breaches represent a lesson learned for both issuers and investors given that they are similarly exposed to cybersecurity issues either from hackers or due to human error. These threats are real and good corporate governance practices are required to effectively manage risks and defend against hacking attempts. Having a robust cybersecurity strategy and controls in place to protect the company from reputational, legal and financial risks is ultimately a responsibility of the board.

Georgeson's Insights

- Ensure the board is aware of the cybersecurity strategy and actively participates in the decision-making. Expertise in technology and cybersecurity as well as governance can be hard to find but you can also consider board education or external advisors as well as ensuring that KMP update the board regularly on progress.
- Consider contacting the NCSC to discuss your company's cybersecurity protections.
- Be transparent and disclose the steps you are taking to address and prevent any cyber-attack. Demonstrate that you treat cyber risks like any other business risks.
- Understanding the materiality of cybersecurity for your company is crucial to addressing it appropriately for the level of risk.
- Be aware that you can engage with BitSight if you believe its assessment does not fully represent your situation.
- Data security regulations vary across different countries and jurisdictions and are rapidly evolving. Being able to anticipate regulatory risks and not just comply will put you ahead of the game.
- While CGI Glass Lewis states that the third-party information included in their Proxy Papers (Arabesque, Sustainalytics and BitSight) does not influence their voting recommendations, this information does end up in the hands of investors. Engaging with proxy advisors and investors on material ESG topics can help you avoid any nasty surprises in future.

Remuneration in 2022

New Zealand has no requirement for a shareholder vote on remuneration, however issuers must have a clear policy for setting the remuneration of management and non-executive directors at levels that are fair and reasonable in a competitive market for the skills, knowledge and experience required by the company.

Recommendation 5.3 of the new NZX Corporate Governance Code (NZ CGC) will require New Zealand listed entities to disclose, in the annual report, the CEO's remuneration arrangements, including the base salary, short- and long-term incentives and the performance criteria used to determine performance-based payments.

Proxy advisor views on remuneration

CGI Glass Lewis

CGI Glass Lewis expects New Zealand companies to structure executive incentive schemes so they are linked to strategy, are adequately disclosed and vest over an appropriate time horizon. In addition, they fundamentally expect quantum amounts to align with performance.

ISS

ISS observes a set of five principles when reviewing executive pay:

- Maintain appropriate pay-for-performance alignment, with emphasis on long-term shareholder value.
- Avoid arrangements that risk 'pay for failure'.
- Maintain an independent and effective compensation committee.
- Provide shareholders with clear, comprehensive remuneration disclosures.
- Avoid inappropriate pay to non-executive directors.

Some recent areas of focus for investors and proxy advisors when considering remuneration have included the following:

- The quantum of remuneration and link to performance – always closely scrutinised.
- The split between the cash and shares components of STI, the receipt dates and vesting times for the shares, and how these were determined for each KMP.

- The degree of discretion the board has to award bonuses, guarantee vesting and use claw back provisions, outside remuneration plan rules – discretion like this is generally frowned on.
- Longer vesting for Long Term Incentives (LTI) – this is looked on favourably, with three years no longer the default, particularly if the company's investment horizon is significantly longer than that.
- Companies seeking a blank cheque on termination benefits – proxy advisors will usually recommend against this without a good explanation.
- Use of non-financial measures, particularly related to ESG issues – these are considered important, and require clearly defined and measurable targets.

Georgeson's Insights

How can companies avoid the risk of negative voting at the ASM by institutional investors? By understanding how proxy advisors assess the remuneration policy and actively engaging with investors ahead of significant changes:

- Provide more rather than less detail about all aspects of remuneration, particularly targets and how they are applied, the STI split of cash and shares, vesting times and the rules around them, above average termination benefits and discretionary awards.
- Be aware that proxy advisors generally frown on Board discretion to award payments outside policy rules. If you do this, you should clearly articulate why the financial results and underlying performance justify it and how it is in investors' best interests, and generally limit it to a single specified year.
- Include non-financial targets, particularly related to the most material ESG topics you report on.
- Demonstrate clearly that variable remuneration is genuinely 'at risk'.
- Engage with your largest investors regularly – not just at ASM time. Make time to talk to them about their issues and concerns throughout the year and take their comments on board – and ensure you engage with them prior to locking in any new remuneration arrangements.
- If you receive significant negative proxy advisor sentiment, engage with the proxy advisors as soon as the dust has settled on the ASM and find out the reasons for their recommendations. Do not wait until just before the next report.
- Similarly, if you notice your negative vote starting to tick up over two or three years, begin the process of engaging with investors and consider utilising Georgeson' Remuneration advisory services to identify any potential issues well before you release your Remuneration Report.

GLOBAL OUTLOOK

A global perspective on the ASM experiences from key markets.

RETURN TO CONTENTS

Smaller companies are moving back to physical meetings, while ‘large cap’ companies typically stay fully virtual or introduce a virtual element.

// United Kingdom

Mark Cleland
CEO, Issuer Services, UCIA

As we came out of the last of the restrictions put in place for pandemic, the 2022 AGM season saw companies continue to adapt to a level of uncertainty and try to return to something more resembling the meetings of old.

During 2022, Computershare supported our UK clients to successfully deliver over 748 meetings, 550 of which were AGMs. While it was a slow start, we have witnessed a significant increase in volume of in-person meetings, together with growing attendance levels. We continue to see some companies utilise technology to support enhanced engagement with their shareholders whether it be the execution of hybrid meetings, supporting pre-meeting question submission, or other forms of participation.

Computershare and Georgeson continue to engage and foster relationships across industry, government and the broader market to provide leadership and promote change. These relationships, combined with our ability to provide in-depth, valuable intelligence, places us in the unique position whereby we can use our knowledge and insight to inform the market.

// Australia

Marnie Reid
CEO, Issuer Services, ANZ

The 2022 peak AGM season was the first that we had without restrictions on travel and indoor gatherings since 2019. Where historically the format and often the location of the AGM roll over from one year to the next, in 2022 we witnessed much discussion, debate and planning with clients around the relative pros and cons of all three meeting formats.

As the year progressed, shareholder participation in AGMs increased to its highest level in five years. This was driven largely by hybrid meetings, with two-thirds of shareholders participating online.

We were also pleased to have over 340 clients making ready use of the permanent legislative reforms enacted early in 2022, which permitted the use of ‘notice & access’ short-form style notifications. This change still enables investors to receive a traditional AGM notification pack, however the delivery of short-form notifications provided significant savings for our clients.

Shareholder activism also continued to challenge issuers throughout 2022, with ESG related items being at the forefront for several sectors.

From July until the end of November, Computershare was involved in 744 meetings across Asia.

Hong Kong

Richard Houng
CEO, Issuer Services

Computershare managed the first hybrid meeting in Hong Kong in 2019, so it was not a surprise that we witnessed the adoption of new technologies to enable effective and engaging virtual and hybrid meetings in Asia.

Increasingly we are helping clients transition from traditional in-person meetings to hybrid events and in Asia we are over indexing in hybrid meetings vs the rest of the world (81.6% vs 49.4%).

With pandemic related restrictions easing, while we do foresee some issuers reverting to hosting in-person meetings only, we believe the benefits and popularity of hybrid and virtual meetings will lead to continued growth in their adoption for years to come.

United States

Ruthanne Wrenn
Global Research Analyst, Global Capital Markets

Annual shareholder meetings for U.S. companies saw a progressive move by states that had previously only permitted physical or hybrid participation to permanently change laws permitting fully virtual attendance. At the onset of the pandemic 28 states allowed for the use of fully virtual meetings. Since then, 17 further states have made permanent changes to their laws to allow for the use of fully virtual meetings.

Beneficial owner access to virtual meetings became a significant concern during the 2020 season, when most meetings shifted to online, and became the subject to industry action to create solutions for 2021.

Due to the structure of the U.S. proxy system, many beneficial owners experienced constraints in attending virtual meetings. An industry working group developed an API-based solution for issuers to optionally facilitate beneficial owners directly participating in, and voting at, virtual meetings.

About Computershare Investor Services

Computershare Investor Services encompasses a broad portfolio of products and services that cover an extensive range of financial markets across every major region. Register maintenance and corporate actions are at the core of our business. We offer global coverage and deep expertise in international markets, to guide our clients through highly complex transactions.

For more information, visit www.computershare.com/nz

About Georgeson – a Computershare company

Established in 1935, Georgeson is the world's original and foremost provider of strategic services to corporations and investors working to influence corporate strategy. We offer unsurpassed advice and representation for annual meetings, mergers and acquisitions, proxy contests and other extraordinary transactions. Our local presence and global footprint allow us to analyse and mitigate operational risk associated with various corporate actions worldwide.

For more information, visit www.georgeson.com/nz

The content of this report is intended to provide a general overview of the relevant subject matter and does not constitute legal advice. It is important that you seek independent legal advice on all matters relating to your ASMs, compliance with the NZX Listing Rules and other applicable legal and regulatory requirements.

Unless stated otherwise, the content of this report is based on data relating to Computershare's NZX listed issuer clients and does not relate to all NZX listed issuers.