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The Exercise of Shareholder Rights: Country Comparison of Turnout and Dissent

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Abstract

THE EXERCISE OF SHAREHOLDER RIGHTS: COUNTRY COMPARISON OF TURNOUT AND DISSENT

By Paul Hewitt¹

The scope of this research is to examine the degree to which investors use their share voting rights to register their concerns with companies on corporate issues. Analysis has been hindered by poor disclosure by companies of turnout figures and more nuanced reporting of resolution outcomes (e.g. disclosing withheld votes). A country comparison which includes OECD countries and Brazil highlights patterns of dissent that suggest remuneration and issues of capital structure are the resolutions that attract most consistent shareholder dissent. Australia, Chile and Germany are singled out for enhanced analysis. The study points to the need for further research at the investor and issuer level about the role of voting in the engagement process and the barriers to the effectiveness and transparency of voting.

JEL classification: G30, G34

Keywords: shareholder voting, shareholder rights, corporate governance, remuneration.

¹ Representing Manifest Information Services, acting as a consultant to the Corporate Affairs Division of the OECD Directorate of Financial and Enterprise Affairs.

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EXECUTIVE SUMMARY

The aim of this project was to survey the voting behaviour of investors at General Meetings of publicly listed companies, using the published voting results from corporate meetings.

The results have been hindered by a relatively low level of disclosure. In many markets (especially Europe and Anglo-Saxon markets), disclosure of meeting results is in principle mandated, though the timing and quality of disclosure still sometimes hinders the gathering of data. In other markets, there may be no effective regulatory requirement to disclose results.

Sometimes, the results that are reported do not permit statistical analysis of voting behaviour. This is most obviously true where resolution outcomes are simply reported as 'Passed' or 'Defeated' without disclosing the numbers of votes cast 'For', 'Against', 'Withheld' or given as discretionary votes. In some cases, this may be explained by resolutions being passed at the meeting on a show of hands rather than a poll. However, a show of hands methodology does not prevent the reporting of voting instructions received by correspondence ahead of the meeting, especially as this represents a growing proportion of voting activity with the growth of institutional and especially foreign ownership.

In some cases, even turnout figures have not been disclosed, rendering general judgements about the degree to which investors can and do vote in different markets impossible to make. To the extent that this information is significant to regulators and governments, especially with the high degree of inter-connectedness and interdependency which characterises today's financial markets, such lack of transparency might be viewed as surprising.

A study of the three focus markets has highlighted patterns of 'dissent' (votes not with management) that suggest remuneration and issues to do with making changes to the capital structure of a company are the resolutions which attract most consistent shareholder dissent.

They would also seem to be the resolutions which attract the most careful attention in terms of case by case consideration, judging by the standard deviation of dissent levels on these types of resolution.

There are some exemplary disclosure practices with regard to transparency of specific reporting of shareholder voting, such as in Chile, which contrast strongly with those markets where general, meeting level voting data is not provided or obtainable.

The results point to the need for further investigation at the investor and issuer level as to what role voting plays in the wider engagement process, and what it is that hinders transparency and effectiveness of voting. Very few investors are able to know with certainty that their cross-border voting instructions are actually carried out at the meetings. The aggregate meeting poll data is the best information they can currently obtain as to how the resolutions were voted, having to satisfy themselves with an assumption that their voting instructions were received and carried out.

INTRODUCTION

The OECD commissioned Manifest Information Services to conduct a top-level survey of the voting behaviour of shareholders at listed companies across a selection of mainly OECD countries.

The importance of voting at shareholder meetings has increased in profile in recent decades, accelerating in recent years. It is now widely held that considered use of shareholder rights, especially by institutional investors that are now often predominant, is a key ingredient for responsible ownership.

The OECD Principles of Corporate Governance notes that it is increasingly common for shares to be held by institutional investors:

“The effectiveness and credibility of the entire corporate governance system and company oversight will, therefore, to a large extent depend on institutional investors that can make informed use of their shareholder rights and effectively exercise their ownership functions in companies in which they invest”.

It should be emphasised that evidence of voting is not *per se* proof of responsible ownership, nor is it a satisfactory proxy for evidence of meaningful engagement. Therefore, steps which have been taken in some jurisdictions (including Chile, one of the ‘focus’ countries of this survey) which impose mandatory voting on certain types of investors may not have the desired effect of encouraging considered use of the voting rights as a part of a wider process of productive stewardship.

The scope of this research is to examine the degree to which investors use their share voting rights to register their concerns with companies on key corporate issues. The use of voting rights should be seen within the wider context of the range of shareholder engagement tools of which it forms a vital part.

Informed voting also makes the analysis of meeting results more meaningful. Blind voting by following third-party voting recommendations hinders the ability of issuers, other investors and commentators to understand from meeting results what shareholders are truly concerned about.

The aim of the research is to identify general aggregate patterns of the behaviour of shareholders in terms of voting at corporate meetings of companies across the world, in order to assess the quality of responsible use of voting rights.

To the extent that meeting results are available (a topic of this research in itself), the patterns they reveal may be used as an indicative judgement of the propensity for investors to exercise their voting rights, and the degree to which they are likely to use their voting rights to oppose management.

The scope of this study will first look at levels of disclosure of meeting results. It will then explore, in respect of the meeting results disclosed, general patterns of turnout and of opposition to management by considering factors such as the type of meeting at which votes were cast, and the type of resolution under consideration.

In countries for which enhanced analysis is undertaken (namely Germany, Australia and Chile), additional factors will be brought into analysis, such as the presence of significant shareholders, the industry or sector of the company, and the date of the meeting (in order to facilitate correlation with information about share price movement).

The result is a top-down, high-level initial assessment of the general pattern of shareholders' use of voting rights across the sample countries. This assessment is a useful snapshot of an aspect of active stewardship, from which further lines of more specific investigation may be identified to better understand how shareholders, especially international institutional investors, carry out their roles and responsibilities as owners of listed companies around the world.

DATA AND METHODOLOGY

Sample size

A minimum of thirty meetings over the last two financial years per country were selected from OECD countries as well as Brazil, by selecting companies that were incorporated and in the main listing segment in the country in question. This is because disclosure practices are sometimes determined by company law, and sometimes by listing rules.

For countries where data was collected especially for this research project, companies were chosen from the country of their jurisdiction initially by size of market cap, although in some cases, smaller companies were chosen by reasoning of better disclosure, either in terms of data or language.

Poor disclosure of meeting results themselves, as well as poor availability of information about historic meeting results, has been a key factor in carrying out this analysis to the extent that for some countries it has not been possible to collect sufficient resolution poll data in order to conduct meaningful analysis at the country level.

For some countries, not enough data was obtained in order to make an analysis based on 30 meetings: Czech Republic, New Zealand, Japan, Sweden, Israel, Brazil, Denmark, Estonia, South Korea, Chile, Mexico, and Slovak Republic. This was either because the country itself did not have a large enough sample of companies from which to choose, or that companies do not report poll data in enough numbers, either because they traditionally have resolutions decided by a show of hands, or that there was insufficient disclosure in the market (typically outcome only rather than detailed poll data).

Methodology

All poll data results received are converted into expressions of percentage (where necessary) in order to ensure effective comparison.

Turnout

Turnout figures shown are calculated either using the percentage turnout figure as reported by the company, or by calculating the turnout percentage using the number of shares reported as represented at the meeting and the figure for total issued share capital at the time of the meeting.

Resolution-level voting outcomes

Voting results are shown wherever possible using the percentage figures reported by the company. Where a company reports total numbers of shares voted each way on a resolution, we have calculated percentages to represent those figures by comparing them to the turnout figures (see above).

Not all companies report resolution-by-resolution voting data. For more discussion of this, please refer to the later section of this report on disclosure.

Dissent

Dissent is defined as votes cast against the recommendation of company management on a resolution.

Nearly all resolutions are proposed by management which therefore recommends shareholders support the proposed resolution with a 'For' vote. Therefore, all votes which are not cast 'For' on such resolutions are deemed to be 'dissenting' votes.

Shareholder proposed resolutions are to a very large extent opposed by management with an 'Against' recommendation. For these resolutions, votes which are not cast 'Against' are therefore also deemed to be dissenting votes.

Challenges to analysis

Obtaining data

Manifest obtains meeting results data by consulting exchange announcements archives and issuer web sites. Usually, where this information is obtainable in the public domain it is as a result of a soft or hard regulation requirement to do so.

In the absence of web site data availability, we contact company investor relations departments to request the information. Frequently, where such information is not already given out in the public domain, it is not forthcoming without at least some questioning as to why the information is required, or by refusal or simply no reply.

It should be borne in mind that although meeting results and resolution poll data are invaluable in assessing patterns of shareholder approval of various governance practices, it is rarely seen as a 'core' component of the governance disclosure discipline. It is only comparatively recently that European regulators have attempted to take a co-ordinated approach to ensuring such information is made available as a matter of course. In general terms, countries in the Anglo-Saxon tradition have a better history of disclosing meeting results information, whereas developing and emerging markets tend to be characterised by lack of disclosure.

Voting results as a measure of institutional activity

The importance of using voting rights is a common theme on the responsible investment agenda. However, voting is not and should not be viewed as the only measure of the quality of dialogue between companies and their investors.

Traditionally, a General Meeting (GM) has always been the formal forum for the company to present shareholders with matters important to its strategy, management and oversight, and for shareholders to put questions to the board and to vote upon matters put before the meeting. However, as institutional share ownership has grown, so has the significance of direct engagement between shareholders and the company board outside the formal arena of the GM. In addition to the general growth of institutional share ownership, there is increasing focus placed upon the role which is expected of significant shareholders, especially institutional ones.

To the extent that this 'informal' engagement is a factor in institutional investor voting decisions, the voting results of GMs are therefore rather limited in examining the underlying quality of institutional investor activity. Companies and investors have a common interest in reaching agreement and compromise on key strategic issues which results in investors using

their voting rights to support management at voting time to a large extent – using their intent to vote as leverage to obtain agreement outside the potentially public arena of a GM.

Another relevant factor in understanding the limits in using voting results as a measure of institutional investor activity is the practice of ‘blind voting’, whereby votes are automatically or mandatorily cast by an institution. There are many countries where there is a real or perceived regulatory requirement to vote shares; notable examples include the US ERISA laws, the German Investment Act and similar initiatives in France requiring the reporting of voting activity by investors creating a perception that voting is actually or effectively compulsory. It remains to be seen what effect developments such as the UK Stewardship Code might have on increasing perceived ‘mandatory voting’.

However, this should not be over-exaggerated. Whilst we have seen a growth in institutional investors with greater resources dedicated to company engagement, we have also seen a growth in cross-border share ownership. The logistical challenges faced by cross-border institutional engagement on a large scale, combined with the continued significance of passive investment strategies, means that voting has far from lost its place as a prime means of engagement in general.

This means that turnout levels can be just as good an indicator of institutional engagement as the degree of ‘dissent’ expressed on resolutions (by which we mean ‘Against’ plus ‘Abstain’ votes on management resolutions), as it shows the proportion of investors for whom it is deemed important enough to invest the time and money into ensuring their shares are voted, provided that voting is not made mandatory.

Disclosure

The general question of disclosure is addressed more fully below, especially in terms of the impact that information disclosure can have at the company level on the quality of the relationship between a company and their owners.

However, voting results are a legitimate, useful and important part of the investor analysis toolbox.

When planning a forthcoming voting or engagement season, specific resolutions which have previously attracted a high level of dissent are a helpful indicator of important issues to be aware of. They are also important for investors to better evaluate their own voting decisions and future policy in light of the wider investment community.

Indeed, the substance of this entire report, the aim of which is to better understand investor participation in GM’s, rests upon the willingness of issuers to disclose meeting results.

For example, a high level of dissent on a remuneration report will be helpful for investors to identify remuneration as an issue for further engagement and discussion with the company. Such disclosure thereby encourages more open, productive relationships with investors and should be embraced by issuers.

A positive aspect of disclosure is that ‘good’ meeting results showing high levels of turnout and approval of management proposals is a sign of a healthy relationship between investors and management which sends a positive signal to the market about the desirability of becoming an investor in the company.

There is, therefore, a positive relationship between disclosure of meeting results and better quality of relationships with investors.

Data format and content

We have noted in this report tremendous variety in the quality and extent of data disclosure. Our survey is also characterised by partial disclosure, which also hinders meaningful analysis.

As a *de minimis* requirement for meaningful analysis of a company meeting in terms of voting results, it is necessary to know, either in percentage or absolute terms (or, even better, both), how many of the company's shares were represented at the meeting, and which way they were cast on each resolution.

In many cases in this survey, partial disclosure occurred. For example, the voting results of each resolution in percentage terms are only of limited value if provided without figures for meeting turnout. It's all very well to report that 95% of shareholders present supported a resolution, but without knowing how many shares this actually represents, overall support (or otherwise) for a resolution may not be judged. For example, if only 40% of the issued share capital was represented, a resolution with 95% support has not been approved by a majority of shareholders. This is precisely why many company law regimes around the world require a minimum quorum for decisions of a certain type (typically special or extraordinary resolutions), in order to ensure that critical company decisions are in fact the will of the required majority of shareholders.

In some cases, the number or proportion of votes cast in favour of a resolution is given, but without any indication of how the remaining votes were cast. Some investors make active use of the nuances between abstaining from approving a resolution and actively voting against it. In some jurisdictions, this distinction is of critical importance in determining the level of required support for a proposal – sometimes it is the number of votes cast 'Against' a resolution which is the critical measure, whereas in other instances it is the number of votes cast 'For'.

In both of the above examples, they reflect notions that are both enshrined in law for certain types of resolution as well as relevant generally, but the observation of which stops abruptly at the line drawn by regulation itself.

Nature of resolutions

Some resolutions do not permit a straight 'For', 'Against' and 'Abstain' analysis. This is sometimes because the options put before shareholders are expressed in different terms, such as 'Approve' or 'Reject'. Other resolutions may present shareholders with specific options.

An example of the former type of resolution is the practice of board elections by slate. In a single resolution, shareholders may be requested to indicate whether they approve or reject a proposed list (or 'slate') of directors, instead of electing or re-electing directors individually. Where alternative directors are proposed, an alternative slate, which may include some directors who are also on the original slate, is put up for a vote. In this scenario, there may be no option to 'abstain'.

An alternative means of deciding an election by slate is for the full list of directors to be put before the meeting and investors given the ability to each vote for up to a specified number of the directors proposed. In this case, no director receives an 'against' vote as such, there is no recorded 'dissent' in the sense in which it is traditionally viewed.

A well-known example of resolutions with specific options rather than 'For', 'Against' or 'Abstain' is US 'Say on Pay' resolutions, where shareholders are asked to choose whether they would like the company to adopt a say on pay resolution every year, every two years or every three years. The options open to shareholders to express do not give an indication of what is deemed 'with management' or otherwise, unless management pin their colours to the mast with their recommendation for the resolution. Even where this does occur, it only enables an analysis of 'For' or 'Against' management, rather than enabling abstentions to be taken into account.

DISCLOSURE

The importance of disclosure of meeting results cannot be over-emphasised. It is a requirement already enshrined in supra-national initiatives such as the European Shareholder's Rights Directive in 2007 (Article 14) and features in some other jurisdictions around the world:

“The company shall establish for each resolution at least the number of shares for which votes have been validly cast, the proportion of the share capital represented by those votes, the total number of votes validly cast as well as the number of votes cast in favour of and against each resolution and, where applicable, the number of abstentions.

[...]

Within a period of time to be determined by the applicable law, which shall not exceed 15 days after the general meeting, the company shall publish on its Internet site the voting results established in accordance with paragraph 1 [above].”

Self-evidently, absence of disclosure of meeting results inhibits analyses such as this report. Whilst it is true that voting is not the be-all and end-all of investor-issuer engagement, voting should be considered a vital component of any engagement strategy, without which engagement may not be as productive as it otherwise would be.

Voting at shareholder meetings is a formal means by which investors demonstrate support or opposition for management in respect of the key business issues about which company law requires companies to consult their shareholders. It is therefore the only formal means for companies and markets to understand the success (or otherwise) of issuers and investors to reach agreement on those key strategic decisions.

It is widely accepted that it is important for investors to put into an appropriate context their assessment of meeting business about which they are invited to vote. Therefore, it should also be important for issuers to understand and appreciate the way in which investors, especially influential institutional investors, use their voting rights to express their judgements about the meeting business proposed. This is a vital part of correctly anticipating what might be deemed acceptable by their investors.

The disclosure of meeting results is therefore vital to both aspects which together promote better understanding and closer dialogue between owners (especially institutional owners) and listed companies.

Country specific disclosure issues

Many countries are characterised by companies that reveal in their post meeting information simply that a resolution was passed, without disclosing any information about the number of votes cast 'For', 'Against' or 'Abstain' on each resolution.

A common explanation for this is companies that decide their resolutions on a show of hands rather than by a poll. They may not record specific data themselves to reveal to the financial markets the numbers of votes cast per resolution, even though a significant number of the votes

cast may indeed be actually counted because of voting instructions received by correspondence ahead of the meeting day, which is of course a common method by which overseas shareholder votes are received. Countries which we find to be good illustrations of this include Sweden, Luxembourg, Norway, Denmark, Sweden, Portugal and Brazil.

The other most common explanation for this is simply lack of disclosure practice, where companies are not sufficiently incentivised to report details of votes cast in addition to the resolution outcomes, even when we had specifically contacted companies for the information and sometimes even where companies might be required to report such information. Markets where this is a common concern include Japan, South Korea, Slovakia, Estonia, Mexico. This could also be influenced by whether data is collected immediately after the meeting in question or is requested some little time afterwards. Sometimes requests for historic data go unanswered once the statutory 'window' of disclosure has passed. We would strongly encourage issuers to retain availability of information that has already been generally reported, even where this goes beyond the regulatory minimum timescale for making the information available.

Turkey and, to an extent, Chile, were characterised by resolution-by-resolution lists of how shareholders had voted, without giving the total number of votes cast each way.

There were not enough companies for meaningful statistical analysis in respect of New Zealand, the Czech Republic, Estonia and the Slovakia.

A final point on disclosure is the slightly more delicate issue of language. Whilst we accept and appreciate that a 'country-level' approach to assessing disclosures should be sympathetic to companies disclosing in their local language, we are also mindful of the inexorable growth of international share ownership contributing to a general acceptance of information being given in a language commonly used in the communication of financial information, in addition to the local language.

A good example of a country with very good levels of disclosure in detail which is potentially hindered by language is Italy, where detailed resolution-level voting results are available but only hidden within detailed minutes (stretching to 50 and 60 pages) only available in the local language.

TURNOUT LEVELS

General

The table below shows the statistics of average meeting turnout per country, expressed in terms of percentage.

Country	AGM	Overall
Slovakia	98.45%	98.45%
South Korea	78.52%	81.97%
United States	81.78%	81.78%
Brazil	None	76.58%
Estonia	78.48%	76.38%
Czech Republic	77.91%	76.00%
Japan	74.73%	74.73%
Slovenia	73.35%	73.35%
Spain	70.06%	71.30%
Turkey	68.81%	67.79%
United Kingdom	67.62%	67.50%
France	66.84%	67.16%
Luxembourg	74.36%	66.16%
Germany	64.86%	64.54%
Poland	65.52%	64.45%
Israel	64.41%	64.41%
Canada	61.09%	62.62%
Portugal	61.07%	62.32%
Hungary	51.81%	58.53%
New Zealand	58.25%	58.25%
Australia	58.48%	57.82%
Austria	56.72%	56.33%
Italy	56.65%	55.59%
Netherlands	54.96%	55.05%
Ireland	56.54%	54.62%
Finland	54.96%	54.42%
Greece	55.34%	53.85%
Sweden	52.82%	52.82%
Norway	50.90%	49.50%
Switzerland	47.31%	46.48%
Belgium	44.41%	46.24%
Denmark	38.10%	38.10%

Chile	No Data	No data
Mexico	No data	No data

Where turnout figures are identical between the AGM column and the 'Total' column, there were no EGMs in the sample.

Turnout figures show that in general, most companies achieve a turnout that represents a majority of their issued share capital.

The technical difficulties and barriers that can prevent or discourage shareholders from voting their foreign shares are so numerous, diverse and complex that they are outside the scope of this study. However, there are factors related to some of the common issues and problems which can help explain the results we see above.

Firstly, a significant number of Western European countries rank low down in the list. It is most likely that this can be explained by a combination of two characteristics of the European context. One is a relatively high level of foreign share ownership, and the other a history of entrenched and markedly differing sets of rules and approaches to holding general meetings which have frequently served as barriers to foreign shareholder participation in meetings.

The recent European Shareholders' Rights Directive, whilst addressing many of the legal barriers, did not address some of the technical barriers to cross-border voting. In addition, implementation of the Directive, which should have been completed by August 2009, has not been completed across the board.

As a result, investors are still comparatively reluctant or inhibited from voting across borders.

Many of the countries towards the top of the list are those characterised as being small sample sizes (Slovakia, South Korea, Japan, Brazil, Estonia) all with far from complete disclosure levels – fewer than 10 each in our sample. Those companies in these countries for whom we have little data are perhaps likely to be self-selecting as exemplars of high turnout: those with higher disclosure standards tend to attract better participation or with higher turnout levels might be better incentivised to reveal them to the market. Being a smaller sample set, they are more likely to be skewed by outliers which, as explained above, are likely to be outliers towards the upper end of the turnout levels.

Also, many of the countries towards the top of the list might be characterised as having comparatively lower levels of foreign listed or dispersed share ownership. This may also contribute significantly to higher levels of turnout.

One country which does not fit comfortably within the analysis of this particular section is the US. Whilst characterised by a healthy level of foreign and often dispersed ownership, there are also two systemic reasons for higher turnout at US meetings. The first is the practice of 'Broker voting', under which brokers (a significant player in the US system) are authorised to vote 'non-instructed' shares under their street name. The second (most significant) is the ERISA laws, under which many institutional investor types, especially mutual funds and pension plans, view it as mandatory to vote their shares.

AGM turnout compared to EGM turnout

Across the entire sample we found a small difference between EGM and AGM turnout levels. Whilst this analysis was not possible for every country (as many countries did not yield a high enough number of EGMs in order to make a meaningful comparison), there were enough EGMs at a global level to be able to make some general observations. Some more specific observations will be made later in the context of Australia and Germany, two of the three 'focus' countries in this report.

The average turnout for AGMs across the whole sample was 60.88%, which compares to an average of 55.25% for EGMs.

EGMs are, by their very nature, extra-ordinary, and therefore fall outside of the typical 'rhythm' of the meeting cycle for investors. This makes it harder for all participants to ensure that deadlines for voting are not missed, due to the extreme complexity and inefficiency of the cross-border voting process. This is especially true in the case of EGMs which are called at shorter notice than AGMs, as is the case in some of the countries in our sample.

The sheer inefficiency of the chain of intermediaries through which cross-border voting instructions pass, in terms of the amount of time each participant in the chain adds to the voting deadline, should not be underestimated. The net result is that often the end investor hears about meetings later than those in the local market of the meeting, and has to make a voting decision to send back through the chain earlier than those in the local market. This is especially true in respect of EGMs, and therefore serves to explain some of the difference in turnout between AGMs and EGMs.

Another factor which might explain lower turnouts for EGMs is that when they are called by the company in question, it is for a significant strategic reason that cannot wait until the next scheduled (Annual) General Meeting. Matters of this nature are more often than not discussed with significant shareholders, or their outcome is deemed clear to shareholders before the meeting, to the extent that some do not feel it is necessary to go to the expense of voting something that is, in their view, a foregone conclusion. This is especially true when it comes to international voting too.

PATTERNS OF OPPOSITION TO MANAGEMENT

General

In general, opposition to management on resolutions at corporate meetings is traditionally low. A wide variety of explanations for this are feasible.

Investors for whom engagement (including voting) is an organic part of their investment process do use their voting rights to leverage management towards taking on board their concerns. However, this may manifest itself not only in terms of using voting rights to oppose management on a resolution. The threat of opposing management on a proposed resolution in the run-up to a meeting may in itself be enough to secure sufficient concessions from management in addressing their concerns, in return for supporting management in the short term at the upcoming meeting. In other words, dissenting votes should not be taken as the only measure of the degree to which investors are using their voting rights constructively to achieve change.

Professional investors who have made an active decision to buy shares in a company may view the fact they have made an investment in the company as a reason to use support for management as their 'default' position. Therefore, they choose to use their voting rights that flow from that investment in a manner that is, from an investment point of view, subordinate to the overriding fact that they support the company with their invested money.

Investors with holdings in foreign companies may find it logistically harder than domestic shareholders to engage with management and therefore pick their engagements more selectively according to the most 'needy' cases. To the extent that voting rights may be viewed as a part of a wider engagement process, foreign investors may therefore only be inclined to use dissent votes in the context of existing engagement activity, therefore voting the rest of their meetings with management.

Investors for whom voting is mandatory for regulatory reasons, or for whom voting is deemed mandatory in practice because of market pressures, may place more emphasis on demonstrating that they have voted than they do on considering the decisions communicated by their voting. The net result is that they may have 'standing instructions' to vote with management on all resolutions, thereby being able to report that they are voting. This practice, known as 'blind voting', is especially difficult to prove, precisely because professional investors cannot afford to be seen to be doing the 'bare minimum'.

In summary, the degree of actual support for management on corporate issues may not be accurately reflected by looking at meeting poll data, because the voting decisions may be the culmination of what was a much longer engagement process. As an example, whilst a company may not be compliant with the wishes of a shareholder on a particular issue at the time of the voting decision, a shareholder may still vote in favour of management where sufficient long-term commitment to change had been secured.

Corporate resolution results are sometimes compared to legislative elections and referenda by way of a reference point for contextualising decisions at corporate events, especially in the popular press. This comparison can be misleading in a number of ways, fundamentally because

shareholders in a company are self-selecting supporters of the company (for reasons outlined above) in a sense which is not the case for citizens of a polity. For example, whilst popular critics might hold investors to task for approving what they deem to be excessive or egregious pay practices, such criticisms do not take into account factors such as the degree to which investors may be working behind the scenes to address such concerns, or the degree to which investors can and do opt to not become shareholders at all having taken such concerns into account.

AGMs

The sheer range of issues which typically are the subject of resolutions at AGMs make it difficult to make generalisations as to the type of meeting business which might lead to higher levels of dissent in one country compared to the next.

This is especially true when the general average level of dissent is so comparatively low, with an average dissent level of just 3.48% across over 16,000 resolutions. Readers will note that the country with the highest average dissent at AGM resolutions (Israel) still has an average approval rate of more than 93% (see below for specific notes on Israel, which was not a typical outlier).

The context of this section of the analysis is therefore a profound note of caution in reading too much into any patterns which the statistics might seem to suggest.

However, it is noteworthy that many of the countries towards the top of the list either have a high proportion of shareholder proposed resolutions (such as the US, Canada and France) or have a high proportion or relatively new powers for shareholders in remuneration considerations (Australia and many European countries have different shades of compulsion towards having a vote on remuneration issues).

Whilst shareholder proposals are rarely successful in terms of gaining majority support (certainly in comparison to management proposals), they attract a higher than normal level of 'dissent' against management by their very nature. This is because, more often than not, in order to table a shareholder resolution in the first place, there is often a minimum shareholding threshold. This inevitably ensures that such proposals receive, as a minimum, the equivalent of that same threshold in support, coming of course from the shareholder proponents.

Secondly, a high number of shareholder resolutions tend to suggest a relatively adversarial approach to shareholder engagement, which is likely to cause higher levels of dissent in general.

Of all of the regular meeting business items, remuneration is the single issue which consistently attracts the highest level of dissent. This is partly because of the sheer quantum of executive remuneration which is, by definition, in the public domain, attracting public ire. It has also been exacerbated in the last few years especially as executive bonuses have been the target of ever-increasing scrutiny.

One region where this has especially been the case has been in Europe, where regulatory and social pressure has been brought to bear on companies to have say on pay resolutions. In general terms, companies which have had a tradition of remuneration related resolutions (such as in the UK), or have had a proportionately higher number in recent years as remuneration has been introduced to the regular AGM agenda and new incentive schemes introduced in the post-financial crisis era, will have seen a commensurate increase in overall dissent, especially where there has also been an increase in voting by foreign shareholders.

Israel would appear to be a comparatively significant outlier in this analysis. However, with a sample size of just 9 companies whose meeting poll data was available, it is not surprising that with 5 resolutions receiving over 10% dissent (one of them 62%), Israel has been skewed to the top of the list.

Country	Average dissent
Israel	6.24%
Australia	5.99%
France	5.92%
United States	5.49%
Hungary	4.51%
Netherlands	4.49%
Poland	4.15%
Canada	3.76%
Switzerland	3.71%
Italy	3.66%
Ireland	3.63%
Belgium	3.57%
New Zealand	3.06%
United Kingdom	2.93%
Germany	2.70%
Norway	2.66%
Denmark	2.59%
Spain	2.24%
Austria	1.93%
Portugal	1.89%
Luxembourg	1.63%
Finland	1.57%
Sweden	1.41%
Japan	1.25%
Czech Republic	0.68%
Turkey	0.58%
Greece	0.50%
Estonia	0.11%
Slovak Republic	0.06%
Slovenia	0.00%
South Korea	0.00%
Grand Total	3.48%

EGMs

As with the figures for turnout, the overall figures for average dissent on EGM resolutions (2.57% across 911 resolutions) shows that, in general, shareholders are even less likely to vote against management on EGM resolutions than on AGM resolutions.

As mentioned before, this may well be because EGM business is in general prepared specifically, so as to cause the effect that those who do vote at the meeting have been well-versed in the arguments put forward by the management for the resolutions.

Country	Average EGM Dissent
Hungary	8.06%
Austria	6.12%
Estonia	4.74%
Ireland	4.58%
Germany	4.33%
Australia	3.90%
Netherlands	3.73%
Poland	3.67%
Switzerland	3.12%
France	2.48%
United Kingdom	2.20%
Italy	2.10%
Belgium	1.91%
Spain	1.65%
Turkey	1.28%
Norway	1.04%
Canada	0.42%
Luxembourg	0.28%
Finland	0.21%
Greece	0.13%
Portugal	0.02%
Grand Total	2.57%

Management v Shareholder Resolutions

In this section we seek to identify any patterns that might be found in comparing average voting records between management proposed resolutions and shareholder proposed resolutions.

Management proposed resolutions

Inevitably the 'management proposed resolutions' analysis will draw very similar conclusions to the overall dissent analysis above, which largely applies here. Countries for which there were fewer than 250 resolutions for which data was available are shown in italics.

Country	Dissent	Against	Abstain
<i>Slovenia</i>	7.71%	6.45%	1.26%
United States	6.78%	4.84%	1.94%
Australia	6.13%	4.91%	1.22%
<i>Czech Republic</i>	5.46%	0.94%	4.52%
France	5.34%	4.89%	0.45%
<i>Israel</i>	4.61%	3.96%	0.65%
Netherlands	4.52%	3.40%	1.12%
Belgium	4.01%	2.88%	1.14%
Ireland	3.83%	3.04%	0.79%
Poland	3.75%	1.67%	2.07%
Switzerland	3.72%	2.84%	0.88%
Canada	3.71%	2.56%	1.15%
<i>New Zealand</i>	3.53%	2.29%	1.24%
Italy	3.33%	2.65%	0.68%
United Kingdom	2.91%	2.20%	0.71%
Germany	2.74%	2.57%	0.17%
Norway	2.47%	2.26%	0.21%
<i>Chile</i>	2.42%	0.39%	2.03%
Spain	2.36%	1.45%	0.92%
Hungary	2.31%	1.13%	1.18%
Austria	2.10%	1.71%	0.39%
<i>Japan</i>	2.02%	2.00%	0.01%
Portugal	1.79%	0.79%	1.00%
Finland	1.74%	1.11%	0.63%
<i>Denmark</i>	1.64%	1.64%	0.00%
Luxembourg	1.53%	1.05%	0.48%
<i>Mexico</i>	1.23%	0.26%	0.97%
<i>Estonia</i>	1.14%	1.07%	0.07%
<i>Sweden</i>	0.99%	0.79%	0.20%
Greece	0.48%	0.30%	0.19%
<i>Brazil</i>	0.46%	0.17%	0.29%
<i>Turkey</i>	0.43%	0.12%	0.31%
<i>Slovak Republic</i>	0.06%	0.00%	0.06%
<i>South Korea</i>	0.00%	0.00%	0.00%

It is perhaps noteworthy that, for the most part, the proportion of 'Against' and 'Abstain' votes that make up total dissent is largely consistent in all countries, with rough proportions of one third 'Abstain' and two thirds 'Against'. The nearer the top of the list, the greater the proportion of dissent is accounted for by 'Against' votes. This would seem to suggest that the more general

dissent there is, the more likely investors are to express that dissent with a straight 'Against' vote rather than the less publicly confrontational 'Abstain'.

Shareholder proposed resolutions

An obvious cautionary note on generalising regarding the results of shareholder proposed resolutions is the small number of them. The vast majority of resolutions at shareholder meetings are proposed by management. The very fact that a shareholder resolution has been proposed at all is a sign that shareholders have, for whatever reason, been unable to successfully use other tools in the shareholder engagement rights toolbox in order to get their point across.

As already noted, items which appear as a shareholder resolution only do so at all because a defined minimum thresholds of shareholding has been pledged in order to secure the right to propose a resolution. This means that shareholder resolutions have an artificially high 'starting point' when assessing dissent, as we assume that those who use their shareholder rights to propose the resolution also then vote for it.

Country	Management support	Dissent	Resolutions
Portugal	19.08%	80.29%	9
Belgium	27.36%	72.64%	8
Netherlands	31.33%	68.57%	10
Italy	20.06%	66.22%	21
Switzerland	36.23%	63.78%	2
Finland	39.98%	58.87%	3
Austria	42.23%	57.77%	10
United States	63.21%	28.73%	49
Hungary	73.88%	23.04%	4
France	77.32%	19.04%	34
Canada	81.68%	18.32%	45
Germany	83.13%	16.65%	22
Ireland	83.92%	16.08%	8
United Kingdom	83.75%	15.60%	5
Australia	93.34%	6.66%	9
New Zealand	96.79%	3.21%	4
Norway	99.37%	0.62%	4
Denmark	96.86%	0.01%	32

It is perhaps not insignificant then that the US and Canada have a high number of shareholder resolutions. It is notoriously difficult to undertake engagement directly with board members where corporate power is so highly centralised and the rule of the CEO and President so traditionally revered. The result is that shareholders resort to tabling shareholder resolutions much earlier in the engagement strategy simply because access to directors is comparatively harder to achieve.

This trend has been particularly marked in recent years when the issue of trying to achieve a say on pay has led to a high number of shareholder resolutions on the subject.

From a statistical perspective, we should not read too much into the average 'dissent' levels (this time defined as voting 'For' the resolution for which management recommendation was 'Against') for countries with fewer than 20 resolutions to analyse.

Of those that do have a higher number of resolutions to analyse, Italy is almost entirely explained by alternative director election slates. Over half of the resolutions in France were also shareholder proposals for employee representatives on the board. In these contexts, 'dissent' is much harder to quantify because the resolutions do not have 'For' and 'Against' options in the same way that most other resolutions do, so again these are not 'typical' shareholder resolutions as might be generally expected.

GERMANY

Background

Manifest obtained the data for meetings held either from company websites or by asking the company directly for information. Resolution outcomes and voting data are universally disclosed across the index.

Almost 50% of German companies now disclose details of abstentions, a significant improvement on the prior year. The absence of abstention data in respect of voting at meetings impedes an informed analysis of the true level of dissent, particularly given that the stated policies of German investor organisations include an escalation strategy which explicitly provides for abstention votes as one of a series of steps that should be used by investors to highlight concerns.

Based on Manifest's experience, meeting minutes containing the voting results are often published in German only with no English translation.

Turnout

Participation levels at shareholder meetings steadily declined in the early part of this decade, but the introduction of the record date in 2005 has helped contribute to resurgence in turnouts. This increase is believed to be mainly attributable to some foreign institutional investors who started voting at German general meetings after the introduction of the record date in Germany in 2005. Foreign ownership in DAX30 companies reached has breached 50% in recent years.

Research has shown that the number of German fund managers exercising their voting rights on domestic shares had increased dramatically, with the reasons given for the non-execution of votes being high costs/administrative expenses and time pressure.

A significant proportion of German blue-chip companies include large blockholders, which boosts average turnout levels.

The turnout figures show a reasonably healthy level of participation by shareholders – Germany is a solid 'mid table' in terms of global turnout figures, and is towards the stronger turnout levels within Europe.

It is impossible to judge from meeting poll data the degree to which domestic shareholders vote their shares more than foreign shareholders, if at all. It may also be quite impossible for issuers to be able to tell either, due to the lack of transparency of ownership which prevails within and between the various levels of intermediation that exist between owners and issuers especially in the cross-border context. The names that appear on their share register are very different from the actual underlying shareholders.

Improvement to turnout figures may be partly challenged by the legacy of previous practice.

Whereas there used to be a perception of Germany being a 'blocking market', whereby shares (especially bearer shares) might have been immobilised from trading for a period of time

as a part of the process of registering the shares in order to vote them, this is by and large no longer the case. However, misconceptions on this may persist, especially amongst retail investors.

Germany is characterised to an extent by a system of a multitude of small, regionally-based banks many of whom act as intermediaries in the voting process. In the transition from the tradition towards voting by correspondence or proxy, away from physical participation in meetings, the demands placed on the role of intermediaries has changed from a relatively passive registration facilitation role towards one of proxy representation in meetings. Some smaller, provincial intermediaries have been slow to respond (or slow to receive sufficient demand to change), meaning some shareholders rightly or wrongly perceive it is not possible to vote.

Event type	Number	Turnout
AGM	134	64.84%
Class	2	26.26%
EGM	5	71.50%
Total	143	64.52%

Comparing the average turnout for AGMs and EGMs, we must be cautious in making too many generalisations due to the relatively small number of EGMs in the sample. German companies tend to hold back on extra-ordinary meeting business until the next scheduled General Meeting of shareholders.

However, the figures do seem to suggest that, in general, EGMs receive a higher turnout. This is not to suggest that they are easier to vote, but, due to the extra-ordinary nature of the meeting business decided at them, the cost and difficulty of voting is deemed less problematic by shareholders in the face of the extra-ordinarily important decisions (such as exceptional capital raisings or take-overs).

This is borne out by the higher dissent levels for such questions in the section below on management resolutions.

Dissent

Dissent by meeting type

Almost 50% of German companies now disclose details of abstentions, a significant improvement on the prior year. The absence of abstention data in respect of voting at meetings impedes an informed analysis of the true level of dissent, particularly given that the stated policies of German investor organisations include an escalation strategy which explicitly provides for abstention votes as one of a series of steps that should be used by investors to highlight concerns.

Event type	Dissent	Resolutions
AGM	2.95%	1978
Class	17.75%	3
EGM	4.45%	11
Total	2.98%	1992

Dissent on EGM resolutions is slightly higher than for AGM resolutions, if still at a very low average level. This may be explained by the fact that, although such meeting business is by definition more unusual than normal (hence not being treated in quite the same 'routine' manner as may be the case for AGM resolutions), the expense of holding an EGM in the first place means that business is nevertheless very carefully prepared and choreographed; it stands to reason that management would not call an EGM (as was the case in all 5 in this sample) without being confident that shareholders would approve the business they wish to conduct.

Dissent by resolution type

We have analysed average dissent by type of resolution at all of the German resolutions for which we have obtained poll data. A number of patterns and observations emerge from the data.

Firstly, with regard to the number of resolutions of each type there is a clear variety.

Perhaps most unusual is the relative lack of Annual Report resolutions. This can be explained by the fact that only KGaA companies (partnerships limited by shares) are required to have a vote on the Report and Accounts. Normal AG companies may present the Report and Accounts without then having a vote on them.

From an investor perspective, more significant than is the 'Director's discharge' resolution, whereby the directors are collectively (or, more commonly, individually) discharged from liability in respect of the financial year under review. This helps to explain the fact that the most common type of resolutions in Germany are 'Director's Discharge' resolutions.

Resolution Type	Average Dissent	Standard Deviation	Number of resolutions
Shareholder	15.92%	20.84%	23
Remuneration	6.68%	11.22%	62
Capital	5.40%	7.92%	326
Director's Discharge	3.05%	8.63%	750
Election	2.38%	5.09%	254
Other	1.36%	1.31%	4
Articles	0.82%	2.89%	250
Dividend	0.77%	2.43%	119
Agreement	0.56%	0.73%	53
Auditors	0.50%	1.54%	143
Annual Report	0.19%	0.30%	7
Grand Total	2.98%		1992

We have also analysed the average dissent per resolution type, as well as the standard deviation for each set of dissent figures. The first gives an indication of the relative likelihood that shareholders vote against management on particular types of issue. The standard deviation figure gives an indication of the relative consistency of the level of dissent (the lower the standard deviation, the more consistent shareholders are in showing the indicated average level of dissent).

With regard to the average dissent levels for each resolution type, the most conspicuous is shareholder proposals. These are discussed in more detail below.

Unsurprisingly, remuneration related resolutions are the most contentious in German meetings. Amongst these resolutions, the most contentious are consistently resolutions proposing a new remuneration system for the board, frequently for executives but also for the supervisory board to an extent. Only one resolution in this category was defeated, that of HeidelbergCement AG whose proposal to approve the remuneration system for the managing board members at their AGM in May 2010 was defeated with an 'Against' vote of 54%.

Remuneration resolutions are also those on which there is most variety in the level of approval (highest standard deviation). This would suggest that shareholders have reason to be and are more vocal on remuneration issues.

Whilst less contentious than remuneration resolutions in terms of average dissent, capital resolutions also had a comparatively high level of dissent and standard deviation compared to most resolutions. By definition these issues are highly company and investor specific, touching as they do on the strategic considerations as to how the company's finance and ownership is structured, which explains the standard deviation levels.

Director's discharge resolutions are the most numerous in our sample, and show an interesting trend in that when shareholders are asked to review and approve the past acts of directors at an individual level (effectively the consideration for individual discharge resolutions), they are more critical than when evaluating the future prospects of directors as represented by their voting on director (re-) elections.

The high standard deviation levels for director discharge levels also seems to suggest that, alongside remuneration, this type of resolution is the one on which shareholders are most vocal and consider most on a case by case basis, because of the variety with which they respond to such resolutions.

This might be summarised by saying that shareholders in German companies are at their most critical when approving the acts of specific directors in the past and when evaluating the reward structures under which they will operate in future.

Shareholder resolutions are quite prevalent in Germany because of the practice of counter-proposals. Any shareholder may submit counter proposals within one week of the publication of the meeting notice in the Bundesanzeiger. However, the actual counter proposals are not published in the Bundesanzeiger but are forwarded by the company to the depositary or shareholders and interested parties directly. It is typical for voting on the board proposal to be taken first, with the counter proposal only presented to the meeting if the board proposal is defeated.

The majority of the counter proposals are published in German language only and are not accompanied by an English translation, which can hinder the decision making process of foreign investors. Those counterproposals which merely reject proposals by the management and supervisory boards do not appear on the proxy form. If shareholders wish to vote for these counterproposals they must vote against the respective item on the agenda.

Some companies identify those counterproposals which not only reject the Board proposal but put forward a concrete alternative proposal. These counterproposals may appear on the proxy form, however they are not always actually voted upon at the meeting.

Although many counter proposals relate to trivial matters or personal grievances, the counter-proposal mechanism does offer some benefits and has been used by institutional investors in the past to express concern. Counter-motions when used by institutional investors are seen as an expression of discontent that ranks higher than votes against management proposals.

Given their varied nature, it is not surprising that shareholder resolutions also display a high level of standard deviation.

Major shareholder voting

The importance of understanding “who are the major shareholders in a company?” is underlined by the fact that they must be reported to the market. This is done at the time the major shareholding is established, or changes above or below a specified level of holding.

However, in the context of meeting results analysis where the holding on a specific date is key, the publicly available information may not be sufficiently accurate. Companies disclose in their annual report the major shareholders, either as at the financial year end, or as at some other date subsequent to the year end but (obviously) prior to the publication of the annual report and accounts.

This lack of consistency of reported data hinders meaningful analysis.

Additionally, given that the annual report is subject to approval at an AGM, major shareholders disclosure becomes a part of the meeting materials and, by definition, is therefore around two months out of date by the time of the meeting to which it is purported to relate.

In the absence of the ability to obtain detailed meeting-date share register analysis from publicly available information, the typical role of major shareholders at corporate meetings is technically impossible to quantify, though the poll results of some meetings may offer convincing circumstantial evidence, especially where a major shareholder is a majority shareholder.

Analysis of German companies and the role of major shareholders is therefore made very difficult without specific additional disclosure as to how major shareholders have voted. Disclosure of this kind is, in turn, made very difficult by the lack of transparency with regard to ownership through a chain of financial intermediaries to the ultimate or beneficial owner.

A full list of the meetings in our Germany analysis follows:

Company	Meeting	Date
Aareal Bank AG	AGM	07 May 2009
Aareal Bank AG	AGM	19 May 2010
Adidas AG	AGM	07 May 2009
Adidas AG	AGM	06 May 2010
Aixtron SE	AGM	20 May 2009
Aixtron SE	AGM	18 May 2010
Allianz SE	AGM	29 April 2009
Allianz SE	AGM	05 May 2010
Altana AG	AGM	12 May 2009

Altana AG	AGM	30 June 2010
Arcandor AG	AGM	18 March 2009
Aurubis AG	AGM	26 February 2009
Aurubis AG	AGM	03 March 2010
BASF SE	AGM	30 April 2009
BASF SE	AGM	29 April 2010
Bayer AG	AGM	12 May 2009
Bayer AG	AGM	30 April 2010
Bayerische Motoren-Werke AG	AGM	14 May 2009
Bayerische Motoren-Werke AG	Class	14 May 2009
Bayerische Motoren-Werke AG	AGM	18 May 2010
BayWa AG	AGM	18 June 2010
Beiersdorf AG	AGM	30 April 2009
Beiersdorf AG	AGM	29 April 2010
Bijou Brigitte AG	AGM	15 July 2009
Bijou Brigitte AG	AGM	15 July 2010
Bilfinger Berger SE	AGM	07 May 2009
Bilfinger Berger SE	AGM	15 April 2010
Celesio AG	AGM	08 May 2009
Commerzbank AG	AGM	15 May 2009
Commerzbank AG	AGM	19 May 2010
Continental AG	AGM	23 April 2009
Continental AG	AGM	28 April 2010
Daimler AG	AGM	08 April 2009
Daimler AG	AGM	14 April 2010
Demag Cranes AG	AGM	03 March 2009
Demag Cranes AG	AGM	02 March 2010
Deutsche Bank AG	AGM	26 May 2009
Deutsche Bank AG	AGM	27 May 2010
Deutsche Börse AG	AGM	20 May 2009
Deutsche Börse AG	AGM	27 May 2010
Deutsche EuroShop AG	AGM	30 June 2009
Deutsche EuroShop AG	AGM	17 June 2010
Deutsche Lufthansa AG	AGM	24 April 2009
Deutsche Lufthansa AG	AGM	29 April 2010
Deutsche Post AG	AGM	21 April 2009
Deutsche Post AG	AGM	28 April 2010
Deutsche Postbank AG	AGM	22 April 2009
Deutsche Postbank AG	AGM	29 April 2010
Deutsche Telekom AG	AGM	30 April 2009
Deutsche Telekom AG	EGM	19 November 2009
Deutsche Telekom AG	AGM	03 May 2010

Deutsche Wohnen AG	AGM	16 June 2009
Deutsche Wohnen AG	AGM	15 June 2010
DIC Asset AG	AGM	07 July 2009
DIC Asset AG	AGM	05 July 2010
Douglas Holdings AG	AGM	18 March 2009
Douglas Holdings AG	AGM	24 March 2010
DVB Bank SE	AGM	10 June 2009
DVB Bank SE	AGM	09 June 2010
E.ON AG	AGM	06 May 2009
E.ON AG	AGM	06 May 2010
ElringKlinger AG	AGM	26 May 2009
ElringKlinger AG	AGM	21 May 2010
Epcos AG	AGM	20 May 2009
Fielmann AG	AGM	09 July 2009
Fielmann AG	AGM	08 July 2010
Fraport AG	AGM	27 May 2009
Fraport AG	AGM	02 June 2010
freenet AG	AGM	07 July 2009
freenet AG	AGM	06 July 2010
Fresenius Medical Care AG & Co KGaA	AGM	07 May 2009
Fresenius Medical Care AG & Co KGaA	AGM	11 May 2010
Fresenius SE	AGM	08 May 2009
Fresenius SE	AGM	12 May 2010
Fuchs Petrolub AG	AGM	05 May 2010
GEA Group AG	AGM	22 April 2009
Generali Deutschland Holding AG	AGM	19 May 2009
Generali Deutschland Holding AG	AGM	27 May 2010
GfK SE	AGM	19 May 2010
Hamburger Hafen und Logistik AG	AGM	04 June 2009
Hannover Rückversicherungs AG	AGM	05 May 2009
Hannover Rückversicherungs AG	AGM	04 May 2010
HeidelbergCement AG	AGM	07 May 2009
HeidelbergCement AG	AGM	06 May 2010
Heidelberger Druckmaschinen AG	AGM	23 July 2009
Henkel AG & CO KGaA	AGM	20 April 2009
Henkel AG & CO KGaA	AGM	19 April 2010
Henkel AG & CO KGaA	EGM	19 April 2010
Hochtief AG	AGM	07 May 2009
Hugo Boss AG	AGM	14 May 2009
Hypo Real Estate Holding AG	EGM	02 June 2009
Hypo Real Estate Holding AG	EGM	05 October 2009
Infineon Technologies AG	AGM	12 February 2009

Infineon Technologies AG	AGM	11 February 2010
IVG Immobilien AG	AGM	14 May 2009
K&S AG	AGM	13 May 2009
K&S AG	AGM	11 May 2010
Krones AG	AGM	17 June 2009
Landesbank Berlin Holding AG	AGM	09 June 2009
Lanxess AG	AGM	07 May 2009
Linde Group AG; The	AGM	15 May 2009
Linde Group AG; The	AGM	04 May 2010
MAN SE	AGM	03 April 2009
MAN SE	AGM	01 April 2010
Merck KGaA	AGM	03 April 2009
Merck KGaA	AGM	09 April 2010
Metro AG	AGM	13 May 2009
Metro AG	AGM	05 May 2010
MLP AG	AGM	16 June 2009
MTU Aero Engines Holding AG	AGM	26 May 2009
MTU Aero Engines Holding AG	AGM	22 April 2010
Münchener Rückversicherungs-Gesellschaft AG	AGM	22 April 2009
Münchener Rückversicherungs-Gesellschaft AG	AGM	28 April 2010
Porsche Automobil Holding SE	AGM	29 January 2010
Porsche Automobil Holding SE	AGM	30 November 2010
Puma AG	AGM	13 May 2009
Q-Cells SE	AGM	18 June 2009
Q-Cells SE	AGM	24 June 2010
Rheinmetall AG	AGM	12 May 2009
RHÖN-KLINIKUM AG	AGM	10 June 2009
RWE AG	AGM	22 April 2009
RWE AG	AGM	22 April 2010
Salzgitter AG	AGM	27 May 2009
SAP AG	AGM	19 May 2009
SAP AG	AGM	08 June 2010
SGL Carbon SE	AGM	29 April 2009
Siemens AG	AGM	27 January 2009
Siemens AG	AGM	26 January 2010
Sky Deutschland AG	EGM	26 February 2009
Sky Deutschland AG	AGM	09 July 2009
Sky Deutschland AG	AGM	23 April 2010
SMA Solar Technology AG	AGM	27 May 2010
SolarWorld AG	AGM	20 May 2009
SolarWorld AG	AGM	20 May 2010

Stada Arzneimittel AG	AGM	10 June 2009
Südzucker AG	AGM	21 July 2009
Symrise AG	AGM	11 May 2009
ThyssenKrupp AG	AGM	23 January 2009
ThyssenKrupp AG	AGM	21 January 2010
Tognum AG	AGM	09 June 2009
Tui AG	AGM	13 May 2009
Tui AG	AGM	17 February 2010
United Internet AG	AGM	26 May 2009
United Internet AG	AGM	02 June 2010
Volkswagen AG	AGM	23 April 2009
Volkswagen AG	Class	23 April 2009
Volkswagen AG	EGM	03 December 2009
Volkswagen AG	AGM	22 April 2010
Wacker Chemie AG	AGM	08 May 2009
Wacker Neuson SE	AGM	28 May 2009
Wincor Nixdorf AG	AGM	25 January 2010

AUSTRALIA

Background

Australia's voting system bears many similarities to the United Kingdom. Identification of actual shareholders is blurred by custody account structures. Share register companies work with issuers in order to establish and account for voting rights to be exercised at the meeting. Shareholders who are registered at 48 hours ahead of the meeting are entitled to vote.

The CLERP 9 reforms of 2004 enabled bodies corporate to act as proxies, which greatly facilitates the representation of underlying shareholders by their appointed agents without having to physically attend the meetings.

As regards transparency rules, Australian companies are required by law to make voting results available to the ASX (the listing authority), through a combination of Rule 3.13.2 of the listing rules and Section 251AA of the Corporations Act.

All companies in the survey sample reported turnout, 'For', 'Against' and 'Abstain' figures for all resolutions.

Turnout

Despite the comparatively easy system for voting at Australian meetings (including recent provision for electronic proxy voting in the Corporations Act), turnout levels are somewhat lower than in Germany. However, there remains an average turnout of the majority of shareholders.

Again, we must sound a note of caution regarding the statistical significance of the Court Meeting and EGM figures, due to the small number of meetings in the sample.

Event Type	Average Turnout	Number
AGM	58.48%	87
Court	46.59%	2
EGM	50.83%	5
Total	57.82%	95

Dissent

Overall average dissent in Australian meetings is very high – topped only by the US in our global survey. This might be taken as a sign that those that do vote in Australian meetings are more demonstrative in their use of their voting rights than their international counterparts.

Event type	Dissent	Resolutions
AGM	7.43%	974
Court	0.72%	4
EGM	10.93%	50
Grand Total	7.57%	1028

Management resolutions

Resolution Category	Average dissent	Standard deviation	Maximum dissent	Number of Resolutions
Agreement	13.76%	8.86%	22.51%	4
Remuneration	10.10%	12.25%	71.58%	325
Capital	6.91%	12.14%	82.32%	134
Shareholder	6.66%	3.77%	15.63%	9
Election	3.59%	6.41%	44.52%	471
Articles	3.49%	6.62%	39.39%	53
Annual Report	2.53%	2.69%	9.59%	12
Auditors	1.65%	1.68%	5.95%	11
Dividend	0.47%	0.41%	1.44%	9
Grand Total	7.57%			1028

There were 4 resolutions which were requesting specific shareholder permission for agreements the company wished to pursue, two of which were related party benefits at an EGM of Map Group Ltd in September 2009 which both attracted above 20% dissent.

In terms of dissent on 'regular' resolutions, remuneration again tops the list. Since 2005, Remuneration Report resolutions have been mandatory in Australia. As in Germany, remuneration related resolutions attract higher average levels of dissent than any other regular type of resolution. This goes some way perhaps to explaining the relatively higher level of dissent in Australia than most other countries.

Capital was also a relatively high dissent topic. Many of the higher level dissent resolutions concerned placements of shares without pre-emption rights or allocation of shares to a specified individual. Clearly, shareholders are not keen on the idea of having their holding in a company diluted.

Articles resolutions, also prominent in terms of standard deviation and maximum dissent, are more difficult to typify, as, by definition, bye-laws can be very specific to a company so, as with capital, investor decisions can be driven strongly by investment strategy, philosophy and opinion on the strategy that is deemed right for the company. No Articles resolutions were defeated.

There are far fewer shareholder resolutions in the Australian context, largely because shareholders have so many other tools with which to achieve change in an integrated engagement strategy; communication with companies is easier than in many markets, as is demonstrating ownership through the market provision of electronic share registers.

In general, the figures show that shareholders are more likely to use their votes to express dissent against management when it is deemed necessary than in most other countries. This is evidenced not only by the higher average levels of dissent than nearly all other markets, but also the higher levels of standard deviation which indicate specific, targeted use of dissenting votes rather than general, market-wide dissent on all resolutions of each particular type. This is especially true in respect of remuneration and capital-related resolutions.

Australian meetings in the sample:

Company	Meeting	Date
AGL Energy Ltd	AGM	29 October 2009
AGL Energy Ltd	AGM	21 October 2010
Alumina Ltd	AGM	07 May 2009
Alumina Ltd	AGM	07 May 2010
Amcor Ltd	AGM	22 October 2009
Amcor Ltd	AGM	21 October 2010
AMP Ltd	AGM	14 May 2009
AMP Ltd	AGM	13 May 2010
APA Group Ltd	AGM	30 October 2009
APA Group Ltd	AGM	28 October 2010
Arrow Energy Ltd	AGM	20 November 2009
Arrow Energy Ltd	EGM	14 July 2010
Arrow Energy Ltd	Court	14 July 2010
Arrow Energy Ltd	Court	14 July 2010
Asciano Ltd	EGM	22 July 2009
Asciano Ltd	AGM	23 October 2009
Asciano Ltd	AGM	27 October 2010
ASX Ltd	AGM	30 September 2009
ASX Ltd	AGM	29 September 2010
Australia and New Zealand Banking Group Ltd	AGM	18 December 2009
Australia and New Zealand Banking Group Ltd	AGM	17 December 2010
AXA Asia Pacific Holdings Ltd	AGM	06 May 2009
AXA Asia Pacific Holdings Ltd	AGM	18 May 2010
Bank of Queensland Ltd	AGM	10 December 2009
Bank of Queensland Ltd	AGM	09 December 2010
Bendigo and Adelaide Bank Ltd	AGM	26 October 2009
Bendigo and Adelaide Bank Ltd	AGM	03 November 2010
BHP Billiton Ltd	AGM	26 November 2009
BHP Billiton Ltd	AGM	16 November 2010
Billabong International Ltd	AGM	27 October 2009
Billabong International Ltd	AGM	26 October 2010
BlueScope Steel Ltd	AGM	12 November 2009
BlueScope Steel Ltd	AGM	11 November 2010

Boral Ltd	AGM	28 October 2009
Boral Ltd	AGM	04 November 2010
Brambles Ltd	AGM	19 November 2009
Brambles Ltd	AGM	18 November 2010
Brickworks Ltd	AGM	30 November 2010
Caltex Australia Ltd	AGM	23 April 2009
Caltex Australia Ltd	AGM	22 April 2010
Centamin Egypt Ltd	AGM	27 November 2009
Centamin Egypt Ltd	AGM	09 November 2010
Coca-Cola Amatil Ltd	AGM	22 May 2009
Coca-Cola Amatil Ltd	AGM	14 May 2010
Cochlear Ltd	AGM	20 October 2009
Cochlear Ltd	AGM	19 October 2010
Commonwealth Bank Of Australia Ltd	AGM	11 November 2009
Commonwealth Bank Of Australia Ltd	AGM	26 October 2010
Computershare Ltd	AGM	11 November 2009
Computershare Ltd	AGM	10 November 2010
Consolidated Media Holdings Ltd	AGM	28 October 2009
Consolidated Media Holdings Ltd	EGM	28 May 2010
Consolidated Media Holdings Ltd	AGM	30 November 2010
Crown Ltd	AGM	28 October 2009
Crown Ltd	AGM	30 November 2010
CSL Ltd	AGM	14 October 2009
CSL Ltd	AGM	13 October 2010
CSR Ltd	AGM	09 July 2009
CSR Ltd	AGM	08 July 2010
David Jones Ltd	AGM	30 November 2009
David Jones Ltd	AGM	03 December 2010
Dexus Property Group Ltd	EGM	06 February 2009
Dexus Property Group Ltd	AGM	26 October 2009
Dexus Property Group Ltd	AGM	27 October 2010
Fairfax Media Ltd	AGM	10 November 2009
Fairfax Media Ltd	AGM	11 November 2010
Felix Resources Ltd	AGM	30 October 2009
Fortescue Metals Group Ltd	EGM	23 June 2009
Fortescue Metals Group Ltd	AGM	19 November 2009
Fortescue Metals Group Ltd	AGM	19 November 2010
Foster's Group Ltd	AGM	21 October 2009
Foster's Group Ltd	AGM	26 October 2010
Goodman Fielder Ltd	AGM	19 November 2009
Goodman Fielder Ltd	AGM	25 November 2010
Goodman Group Ltd	EGM	24 September 2009

Goodman Group Ltd	AGM	30 November 2009
Goodman Group Ltd	AGM	30 November 2010
Goodman Group Ltd	EGM	29 October 2010
GPT Group	AGM	25 May 2009
GPT Group	AGM	10 May 2010
Harvey Norman Holdings Ltd	AGM	30 November 2009
Harvey Norman Holdings Ltd	AGM	23 November 2010
Incitec Pivot Ltd	AGM	23 December 2009
Incitec Pivot Ltd	AGM	21 December 2010
Insurance Australia Group Ltd	AGM	10 November 2009
Insurance Australia Group Ltd	AGM	27 October 2010
Intoll Group Ltd	AGM	30 October 2009
Intoll Group Ltd	EGM	22 January 2010
Intoll Group Ltd	EGM	18 November 2010
Intoll Group Ltd	AGM	18 November 2010
JB Hi-Fi Ltd	AGM	14 October 2009
JB Hi-Fi Ltd	AGM	13 October 2010
Leighton Holdings Ltd	AGM	05 November 2009
Leighton Holdings Ltd	AGM	04 November 2010
Lend Lease Corporation Ltd	AGM	12 November 2009
Lend Lease Corporation Ltd	AGM	11 November 2010
Lion Nathan Ltd	AGM	26 February 2009
Lion Nathan Ltd	Court	17 September 2009
Macarthur Coal Ltd	AGM	18 November 2009
Macarthur Coal Ltd	AGM	27 October 2010
Macquarie Group Ltd	AGM	29 July 2009
Macquarie Group Ltd	EGM	17 December 2009
Macquarie Group Ltd	AGM	30 July 2010
MAp Group Ltd	AGM	21 May 2009
MAp Group Ltd	EGM	30 September 2009
MAp Group Ltd	AGM	27 May 2010
Metcash Ltd	AGM	03 September 2009
Metcash Ltd	AGM	02 September 2010
Minara Resources Ltd	AGM	30 April 2009
Minara Resources Ltd	AGM	25 May 2010
Minara Resources Ltd	EGM	17 August 2010
Mirvac Group	AGM	19 November 2009
Mirvac Group	AGM	11 November 2010
Myer Holdings Ltd	AGM	12 November 2010
National Australia Bank Ltd	AGM	17 December 2009
National Australia Bank Ltd	AGM	16 December 2010
Newcrest Mining Ltd	AGM	29 October 2009

Newcrest Mining Ltd	AGM	28 October 2010
Onesteel Ltd	AGM	16 November 2009
Onesteel Ltd	AGM	15 November 2010
Orica Ltd	AGM	30 January 2009
Orica Ltd	AGM	16 December 2009
Orica Ltd	EGM	08 July 2010
Orica Ltd	AGM	16 December 2010
Origin Energy Ltd	AGM	30 October 2009
Origin Energy Ltd	AGM	29 October 2010
OZ Minerals Ltd	AGM	11 June 2009
OZ Minerals Ltd	AGM	19 May 2010
Paladin Energy Ltd	AGM	25 November 2009
Paladin Energy Ltd	AGM	25 November 2010
Qantas Airways Ltd	AGM	21 October 2009
Qantas Airways Ltd	AGM	29 October 2010
Qbe Insurance Group Ltd	AGM	08 April 2009
Qbe Insurance Group Ltd	AGM	31 March 2010
Rio Tinto Ltd	AGM	20 April 2009
Rio Tinto Ltd	AGM	26 May 2010
Riversdale Mining Ltd	AGM	28 October 2009
Riversdale Mining Ltd	AGM	27 October 2010
Santos Ltd	AGM	06 May 2009
Santos Ltd	AGM	06 May 2010
Seek Ltd	AGM	30 November 2009
Seek Ltd	AGM	30 November 2010
Sims Metal Management Ltd	AGM	20 November 2009
Sims Metal Management Ltd	AGM	19 November 2010
Sonic Healthcare Ltd	AGM	19 November 2009
Sonic Healthcare Ltd	AGM	18 November 2010
SP AusNet Group	AGM	08 July 2009
SP AusNet Group	AGM	14 July 2010
Stockland	AGM	20 October 2009
Stockland	AGM	19 October 2010
Suncorp-Metway Ltd	AGM	28 October 2009
Suncorp-Metway Ltd	AGM	04 November 2010
Suncorp-Metway Ltd	Court	15 December 2010
Suncorp-Metway Ltd	EGM	15 December 2010
Tabcorp Holdings Ltd	AGM	19 October 2009
Tabcorp Holdings Ltd	AGM	25 October 2010
Tatts Group Ltd	AGM	30 October 2009
Tatts Group Ltd	AGM	29 October 2010
Telstra Corporation Ltd	AGM	04 November 2009

Telstra Corporation Ltd	AGM	19 November 2010
Toll Holdings Ltd	AGM	29 October 2009
Toll Holdings Ltd	AGM	29 October 2010
Transurban Group	AGM	27 October 2009
Transurban Group	AGM	26 October 2010
UGL Ltd	AGM	22 October 2009
UGL Ltd	AGM	21 October 2010
Washington H. Soul Pattinson and Company Ltd	AGM	03 December 2010
Wesfarmers Ltd	AGM	10 November 2009
Wesfarmers Ltd	AGM	09 November 2010
Westfield Group Ltd	AGM	06 May 2009
Westfield Group Ltd	AGM	27 May 2010
Westfield Group Ltd	EGM	09 December 2010
Westpac Banking Corporation	AGM	16 December 2009
Westpac Banking Corporation	AGM	15 December 2010
Whitehaven Coal Ltd	AGM	17 November 2009
Whitehaven Coal Ltd	AGM	29 October 2010
Woodside Petroleum Ltd	AGM	01 May 2009
Woodside Petroleum Ltd	AGM	30 April 2010
Woolworths Ltd	AGM	26 November 2009
Woolworths Ltd	AGM	18 November 2010
WorleyParsons Ltd	AGM	27 October 2009
WorleyParsons Ltd	AGM	26 October 2010

CHILE

Whilst Chile was intended for this report to be one of the focus countries in terms of data analysis, it was not possible to collect any more than the minimum of useful data. In fact, only one of the companies in our target group provided meeting poll data at all.

All companies listed on the Santiago stock exchange have to submit minutes of their meetings to the Superintendence of Securities and Insurance (SVS - the securities regulator in Chile). The requirements as to the contents of these minutes – which are only available in Spanish - include detailed voting data, but only in respect of specified shareholders (regulated pension funds and those who are representing others at the meeting – the sub-custodian banks). This means that, in order to arrive at what is only even a partial analysis of how the total votes were cast at each resolution of the meeting, analysts have to aggregate the stated voting instructions of lists of shareholders who have had to declare their voting to the company due to the size of their holding in the company or their regulatory investment status.

In addition, the minutes are rarely available on either the company or the SVS website after the event, leaving those who wish to obtain them to request them from companies. It was our prevailing experience that requests for the minutes from meetings held earlier in the year were not returned.

From this incomplete information it is simply not possible to analyse actual poll data.

Chile is therefore a textbook example of the need for improved transparency, both in terms of the content and availability of meeting results.

Companies from whom meeting minutes were obtained on request:

Company	Meeting	Date
Antarchile SA	AGM	30 th April 2010
Colbun SA	AGM,	23 rd April 2010
Companiera de Acero de Pacifico	AGM	21st April 2010
Empresa Nacional de Eletricidad	AGM	22 nd April 2010
Empresas CMPC	AGM	26 th March 2010
Forus SA	AGM	15 th April 2010
Gasco SA	AGM	13 th April 2010
Grupo Security SA	AGM	27 th April 2010
Ian Airlines SA	AGM	29 th April 2010
Madeco SA	AGM	22 nd April 2010
Melon SA	AGM	28 th April 2010
Probe SA	AGM	22 nd April 2010
Quinenco SA	AGM	30 th April 2010
Walmart Chile	EGM	22 nd November 2010

CONCLUSIONS

We highlight on the back of this report that disclosure is the most fundamental concern. As a minimum we would recommend the provisions in the European Shareholders' Rights Directive as a very helpful guide for a reasonable expectation.

This would ensure that companies disclosed the following information:

- Meeting turnout
- Resolution outcomes
- Management recommendation for each resolution
- Resolution poll data which conveys the proportion of shares voted for, against or abstain on each resolution
- an explanation as to why poll data was not recorded for the meeting, where relevant

We would recommend that such disclosures are accorded the same status as regulatory market announcements, should be made available within a reasonable delay after the meeting has been concluded and remains available at least until the next Annual General Meeting. Also, we would recommend consideration towards making information available in a language which is commonly used in the context of international investment and finance, where the home language of the company in question is not considered to be such a language.

Analysis of the role of major shareholders is made very difficult without specific additional disclosure as to how each major or regulated shareholder has voted at a meeting. This is information which could be reported in the meeting minutes, as is the case in Chile. In this way, it would be possible to ascertain the role of major shareholders in deciding meeting business. It would also serve to encourage in a more efficient way, collaborative engagement work as it would enable shareholders to identify other potentially influential shareholders who might be sympathetic to their cause in order to work together to better leverage change.

Consideration of the patterns relating to turnout and dissent levels between countries raises a number of interesting questions. If particular resolution themes attract more 'dissent' than others, are relative patterns of turnout between countries a result of the relative frequency of these more controversial types of resolutions, or are they more closely related to the voting behaviour of investors in the specific market (for example, do countries that have more remuneration resolutions have higher turnout figures and is this link a causal one to any extent)? Might it be true that, where the proportion of foreign shareholders voting is higher, it is because investors make sure they vote on certain important types of resolutions which occur more frequently in a particular market, or might it be because a particular market is operationally 'easier' to vote in than others?

To the extent that voting shares does represent expense on the part of the investor, there is always a cost/benefit consideration as to whether an investor votes. This cost/benefit consideration will take into account various issues to varying degrees, including (but not limited to):

- perceived or actual regulatory obligation to vote;
- the level of perception that a meeting is strategically important to vote from an investment perspective, either in the long or short term;
- client demand to use voting as a part of investment processes;
- administrative costs of voting meetings (especially when these costs relate to services that are 'bundled' as a part of global custody services); and
- reputational costs of being seen not to use voting rights

Where disclosure does permit analysis of resolution-by-resolution voting patterns (even without shareholder-specific data as is partially the case in Chile), the resulting analysis can be very powerful in understanding the general, aggregate behaviour of investors in each market. More extensive occurrence of such disclosures would promote better transparency with which issuers could better manage their preparations for corporate events and foster better relations with foreign shareholders who hitherto may appear distant and mysterious by comparison with those investors they may know very well in their home market. This is a key step in fostering a global approach to stewardship which mirrors global ownership patterns.

Some suggested areas for further investigation

Voting is but one part of the engagement process, but it is a critical part. Aside from disclosure issues, the other main impediment to using voting results as a means of assessing investor engagement is the inefficiency of the systems through which voting is undertaken. An assessment of what those practical impediments are and how they inhibit shareholder voting would throw some useful light on the global challenges to engaged, responsible stewardship.

Whilst disclosed meeting results are a reasonable public record of voting levels and behaviour, to the extent that voting is but one part of a wider process, additional anecdotal information from issuers about the quality of shareholder engagement they experience would also be helpful in gaining a rounded picture of the actual state of play regarding active shareholders. This would be especially useful in the context of examining the various influences that are brought to bear on major strategic decisions taken by the company. This would enable a clearer picture of the impact of active shareholders as owners in the company.

