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Mr David Sullivan  
Committee Secretary  
Parliamentary Joint Committee on Corporations & Financial Services  
Suite SG. 64  
Parliament House  
Canberra ACT 2600

By email: [corporations.joint@aph.gov.au](mailto:corporations.joint@aph.gov.au)

Dear Sir

**Global Proxy Solicitation (GPS) submission: Inquiry into Shareholder Engagement and Participation**

GPS is an Australian firm that provides strategic advice and execution services for vote-dependent mergers, company meetings and proxy fights as well as shareholder canvassing for off-market bids and complex transactions.

We play a key role in facilitating contact between listed companies and shareholders by establishing and managing toll-free Shareholder Helplines, conducting proxy solicitation and shareholder campaigns for Scheme of Arrangement and company meetings, off-market takeover bids and capital raisings (see Appendix I).

We set out below, our comments on the issues raised by the Committee in its Terms of Reference:

**Barriers to the effective engagement of all shareholders in the governance of companies**

A major stumbling block to effective engagement is the obstacles presented to shareholders in the voting process. They are:

1. The inability of shareholders to vote directly
2. The incumbent paper-based system of completing and mailing proxy forms
3. The 48-hour pre-vote deadline for lodging proxy votes
4. Retail shareholder mindsets to voting

While changes to legislation are not required to remove obstacles 1-4, few Australian companies have addressed the changes to their constitutions that would enable proxy authentication and direct voting by electronic mediums including the Internet and by telephone.



### *Retail Shareholder Voting*

Retail shareholders have a very low interest level in voting and it requires a substantial effort to motivate them to do so. In merger transactions and off-market bids, firms such as GPS are often retained to design and implement strategies to motivate shareholders to vote or return an offer acceptance, and some firms are using proxy solicitors to increase general meeting voting participation.

It's not unusual for such strategies to increase voting by as much as 300%.

The reason many shareholders don't vote is because they feel that as a small shareholder, their vote will make no difference and therefore, it's not worth the effort (fill in the form, drop it in the post) to vote.

It's plausible that the very low turnout of retail shareholder voting and total lack of public discussion in the past is the very reason why companies have not bothered to pursue more effective means of shareholder communication.

### *Institutional Shareholder Voting*

There is a serious lack of transparency in votes lodged by institutions via custodians and processed by share registries.

Proper reconciliation of institutional shareholder and voting entitlement is essential and the use of Section 672(B) Notices would assist in enabling proper reconciliation – particularly if the 48 hour voting deadline is extended to five days.

Problems of authentication, delivery and legibility abound, which results in many thousands of retail shareholders annually becoming disenfranchised. The votes of institutions often "go missing" along the custodial chain and never get counted. This is particularly the case for foreign investors.

## **The effectiveness of existing mechanisms for communicating and getting feedback from shareholders**

Generally, companies rely on six mechanisms to communicate with their shareholders, which are:

1. Company meetings
2. Company website
3. ASX
4. Print and electronic news media
5. Institutional presentations
6. Broker presentations



In general, retail shareholders are largely overlooked and the mechanisms used to communicate with them are mostly one-way and passive. An exception is company meetings, but usually, two-way dialogue between shareholders and senior management is restricted.

In the case of institutional presentations, there is strong two-way communication where a small group of shareholders enjoys a benefit over most others (retail shareholders) by being able to interact directly with the company's most senior officers.

In our view, most companies comply with the status quo but make little effort to find innovative solutions for communicating with their retail shareholders; instead focussing their communications resources on institutions.

### **Some solutions**

In our experience, voting participation by shareholders in company meetings would increase substantially if the mechanisms for voting were simplified by use of telephone and electronic means. While Internet voting has been available for some time, the reality is that institutional investors aren't able to use it, custodians don't use it and the overwhelming majority of retail shareholders still mail a paper form.

#### *Voting by telephone*

To simplify voting and provide immediate, authenticated tabulation of shareholder votes, GPS has developed a telephone voting system ("PhoneVote"), which in the opinion of our legal advisors complies with the authentication requirements of Regulation 2G.2.01 subsection 250A(1) and 250A(1a) of the Corporations Act 2001.

PhoneVote would enable a shareholder to vote at a time and place of their own choosing, change that vote at any time, receive a printed confirmation of when and how they voted and be able to vote up until the meeting date; simply by making a single toll-free telephone call.

#### *Shareholder Help Lines*

Greater use of Shareholder Help Lines will strongly advance communication between shareholders and companies. Very few companies maintain permanent shareholder Help Lines because of the high establishment and maintenance cost involved. But maintaining a permanent Shareholder Help Line toll-free number that can be activated and promoted for specific events such as general meetings, capital raising, or corporate actions, would greatly enhance corporation/shareholder connectivity and communication.

#### *Voting Deadlines*

As mentioned above, the use of Section 672(B) Notices would assist in enabling proper reconciliation – particularly if the 48 hour voting deadline is extended to five days for institutions and foreign investors.



*Awareness campaign*

A public education campaign to increase retail shareholder awareness of the importance of voting would be helpful. The ASX too, could develop such messaging and encourage companies to adopt similar themes on their websites and in annual reports and shareholder correspondence.

We thank you for the opportunity to comment on the issues before the Committee and would be pleased to provide any further information if requested.

Yours sincerely  
Global Proxy Solicitation

A handwritten signature in blue ink, appearing to read 'M. Leftakis', with a long horizontal flourish extending to the right.

Maria Leftakis  
**Managing Director**



## Appendix I

# Global Proxy Solicitation

Motivating shareholders to vote for a scheme or company resolution or to accept or reject a bid, requires the right level of communication.

Global Proxy Solicitation provides strategic advice and execution services for vote-dependent mergers, company meetings and proxy fights as well as shareholder canvassing for off-market bids and complex transactions.

We're a client-focussed independent organisation whose key executives are industry leaders. Our professional team consists of highly experienced and skilled project managers and analysts.

Global Proxy Solicitation has no peers in Australia in terms of absolute experience, knowledge, resources and campaign success. So far in 2007, we've been involved in transactions valued at over \$53 billion.

## Services

These are built upon **Strategy, Execution** and **Outcome** and cover the following key investor communications activities:

1. Proxy Solicitation for vote-dependent mergers, company meetings and proxy fights
2. Shareholder Information Helplines for schemes, bids and other corporate actions
3. Beneficial share ownership analysis
4. Telephone canvassing for takeover bids (bidder or target)
5. Shareholder opinion research for schemes, bids and meetings

## Our Approach

We're dedicated to devising the best shareholder communication strategies and implementing the most effective levels of execution in order to produce the desired outcome.

Every aspect of our work is tailored to the particular circumstances of each transaction. We extract maximum leverage from every managed shareholder campaign so that risk is limited and the desired outcome is achieved.

*We provide dependable information about shareholder intentions, share ownership and other transaction-critical investor information and intelligence by removing the guess-work that pervades market rumour, misinformation and media speculation.*



## **Service Delivery via our Deal Room web portal**

Our unique web-portal **Deal Room** offers world's best practice in M&A transaction information delivery that efficiently and securely manages campaigns.

It enables our clients and their advisors to visit one central location to access:

- Global Proxy Solicitation campaign reports
- Proxy tabulation reports
- Beneficial Ownership Analysis reports
- Opinion research findings
- Scripts / Announcements
- Press releases / news clippings
- Working Group List
- Transaction documents (Offer Documents, Explanatory Memoranda, proxy forms, etc)

Each client user is profiled and provided with personalised security access.

The **Deal Room** underwrites the control and security of all shareholder communications content in addition to providing an archive of all transaction material (published and private) via an easily accessible web portal. Accordingly, everyone involved with the appropriate level of security clearance can access the same information at any time.

## **Global Reach**

Global share ownership and cross-border investment requires global shareholder communications resources.

That's why Global Proxy Solicitation maintains services in North America, the UK, EU and Asia. Regardless of where the investor resides, Global Proxy Solicitation can reach that market and influence those holders.

## **Expertise**

Global Proxy Solicitation has no peers in Australia in terms of absolute experience, knowledge, resources and success. So far in 2007, we've been involved in transactions valued at over \$53 billion.

Our clients include Top100, mid and small cap companies, activist funds and dissident investors.

In terms of deals, for over 10 years our principals have acted in more than 250 bids, defences, schemes and corporate actions worth over \$200 billion.

Some of these include:



- Xstrata's bid for Jubilee Mining
- Coates Hire buyout from National Hire/Carlyle Group
- Wesfarmers proposed acquisition of Coles Group Limited
- Village Roadshow bid for Sydney Attractions Group
- Centro Retail Trust and Centro Shopping America Trust merger
- Guinness Peat Group proxy solicitation – AV Jennings General Meeting
- Toro Energy bid for Nova Energy
- Adelaide Bank acquisition proposal from Bendigo Bank
- Symbion Health acquisition proposal from Healthscope
- Cumnock Coal capital reduction
- Auspine defence of Gunns bid
- Investa's acquisition proposal from Morgan Stanley Real Estate
- Alinta acquisition proposal from Babcock & Brown/Singapore Power
- APN News & Media's acquisition proposal from the INM Consortium
- Bank of Queensland proposed merger with Bendigo Bank
- Summit Resources defence of Paladin Resources bid
- ANZ's takeover offer for E\*Trade Australia minorities
- Offers for Consolidated Minerals
- Rural Press/Fairfax merger scheme
- Cemex bid for Rinker
- Promina/Suncorp merger scheme
- Toll Group bid for Patrick
- Allco bids for Baycorp, Wattle
- Rank bids for Goodman Fielder, Burns Philp & Carter Holt Harvey
- Fosters' bid for SouthCorp
- Woolworths' bid for Australian Hospitality
- Metcash bid for Foodland
- HBOS / BankWest Merger
- Tabcorp bid for TAB
- Coca Cola Amatil merger with SPC Ardmona
- Westfield Group trusts consolidation
- Deutsche Property trusts consolidation
- Tower Australian Wealth Management spin-off
- APN bid for Wilson & Horton
- Macquarie Goodman Management/Industrial Trust merger
- Colonial/CBA merger
- Centro merger with Prime
- Xstrata's bid for WMC
- BRL Hardy merger with Constellation Brands
- United Energy restructure
- Xstrata's merger with MIM