2021

ASM INTELLIGENCE REPORT
NEW ZEALAND

Computershare Georgeson

Contents

Introduction

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Managing Director
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New Zealand

Over the last 12 months, many things have changed and the format of the Annual Shareholder Meeting is no exception.

Despite our legislation providing allowances for virtual and hybrid ASMs prior to 2020, the widespread adoption of technology this past year enabled issuers and investors to engage with one another digitally, on a scale never seen before.

New Zealand issuers embraced online meetings in 2020, which was a significant contrast to many other regions around the world – largely driven by varied regulatory frameworks. Since the large-scale COVID restrictions hit globally in March 2020, Computershare has delivered more than 3,000 virtual or hybrid AGM's globally.

We see the year ahead as an opportunity to combine the strengths of traditional in-person ASMs with the benefits we saw delivered by virtual meetings during 2020, providing a 'best of both worlds' solution for our clients, whatever their objectives across governance, shareholder engagement and communications.

In this report we will explore some of the trends and key issues surrounding ASMs in New Zealand, with four key points standing out:

- Registered shareholder attendance in New Zealand dropped by 47%. From April 2020 we saw attendance increase, in some cases dramatically, however this fell away throughout the year.
- The percentage of shareholders voting at meetings remained unchanged, but how they voted changed substantially, with traditional votes falling 22.5%.
- Q&A presents questions about the transparency of using online systems, but the number of questions our clients received virtually suggests it was an effective process that enabled shareholders to stay engaged and communicate effectively with directors during a virtual meeting.
- Environmental, social and governance issues continue to gain traction for both shareholders and proxy advisors. Companies need to carefully consider these issues as part of their broader shareholder engagement strategies.

Computershare greatly values the connections we've made in New Zealand, where we have been providing Issuer and Investor services for more than 30 years. We want to continue to foster strong relationships with our clients, and remain engaged with the wider market, both learning from and offering leadership to it. We believe we are well placed to provide in-depth analysis and insight into the ASM landscape as it changes and adapts to new circumstances.

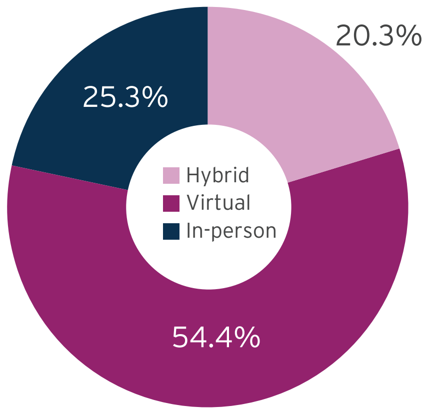
In this year's report, we carefully examine the changes that occurred throughout the past 12 months, overlaid with particulars we've observed in markets outside New Zealand. We've also included insights gained directly from our Computershare counterparts around the world to highlight the different challenges and learnings from other regions.

We hope you find this report a valuable resource as you plan for the year ahead.

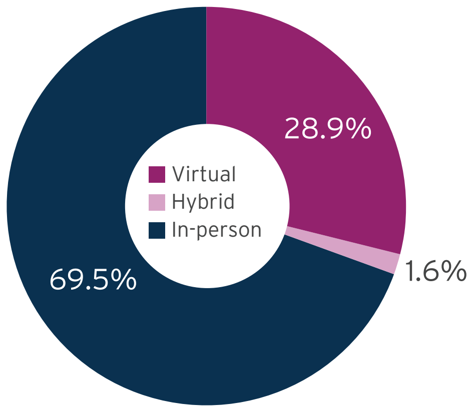
THE 2020 ASM LANDSCAPE

While our New Zealand clients embraced online meetings in 2020 with 75% being hybrid or virtual, the story was starkly different in other regions around the globe.

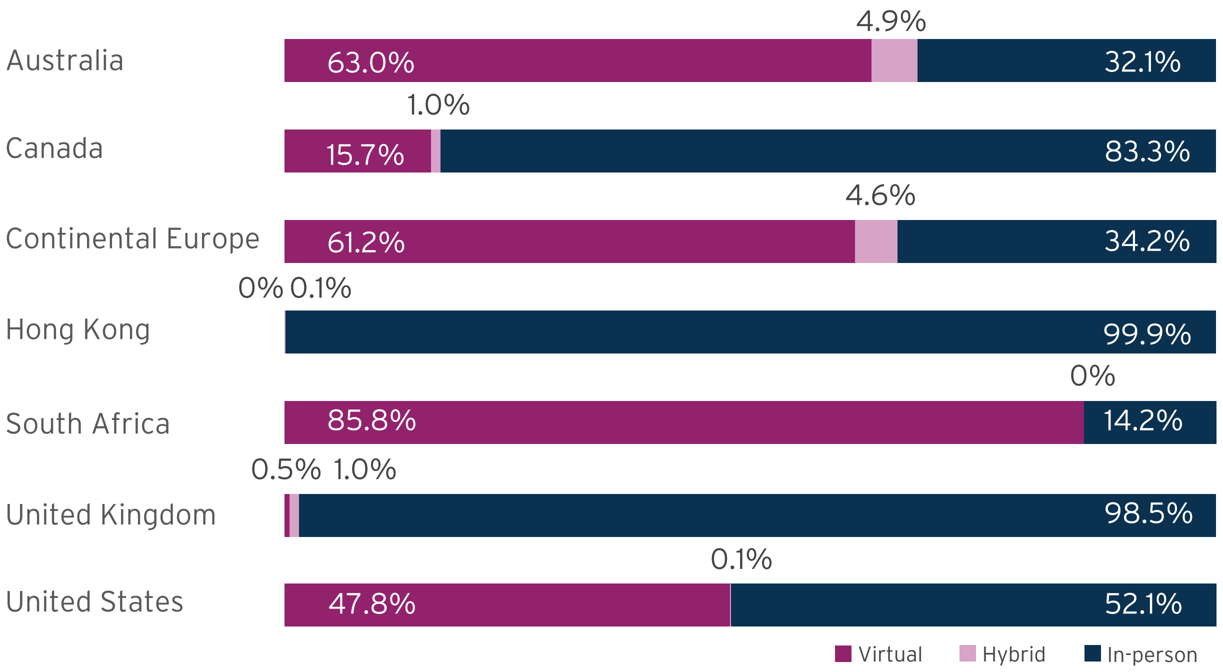
ASM BREAKDOWN – NEW ZEALAND



ASM BREAKDOWN – GLOBAL



TYPES OF ASMs – REGIONAL BREAKDOWN



The graph above shows the rates of adoption of different meeting formats by region. The significant disparities were largely driven by the local regulatory framework.

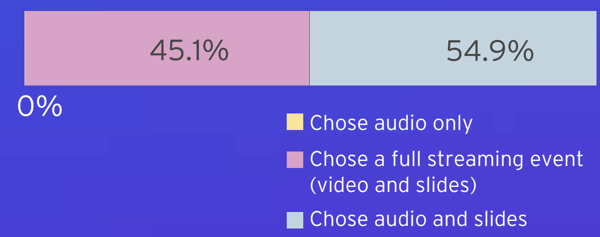
In the United Kingdom, where most issuers' articles did not allow for online ASM participation, meetings were held behind closed doors, with only the board and directors in attendance. In Hong Kong, where physical meetings are a long-standing tradition, the adoption of online meetings was also low, with no virtual meetings held at all throughout 2020.

For further insight into the regional drivers, be sure to read our global insight section on page 13.

ASM production

Throughout the year, no companies elected to have an audio only meeting. A slightly lower number of companies chose a full streaming event (including live video) over the option of an audio and slide presentation.

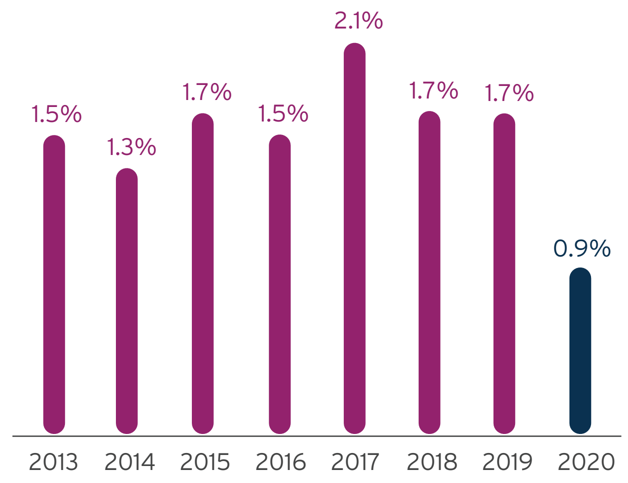
ASM PRODUCTION PREFERENCES



Computershare has assisted our clients with almost 3,000 virtual and hybrid meetings across the globe since March 2020.

ATTENDANCE

SHAREHOLDER ATTENDANCE



The number of shareholders who registered their attendance at ASMs in 2020 dropped by approximately 47%.

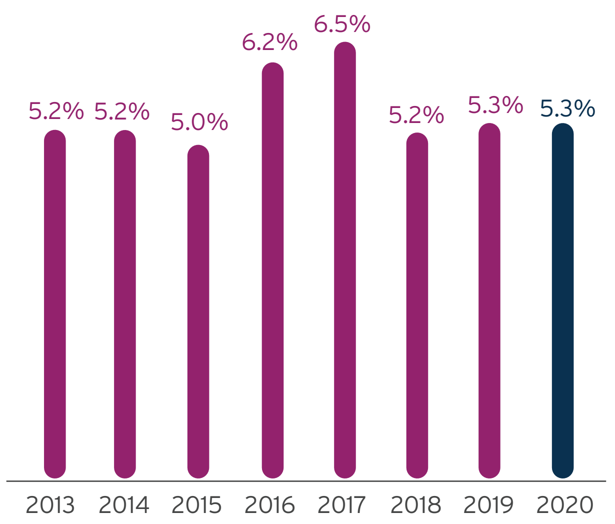
This decline is attributable to the increase in 'passive' attendees. That is, many shareholders opted to join meetings as guests, because they did not want to vote or ask questions.

Others, though, may have been put off by factors including: reduced opportunities to speak face-to-face with directors and fellow shareholders, not being able to attend a physical venue where catering is available, lack of proficiency with enabling technologies, or simply because of changed priorities or personal health concerns brought about by the Covid-19 pandemic.

VOTING

On average, the percentage of shareholders voting has remained unchanged between 2019 and 2020.

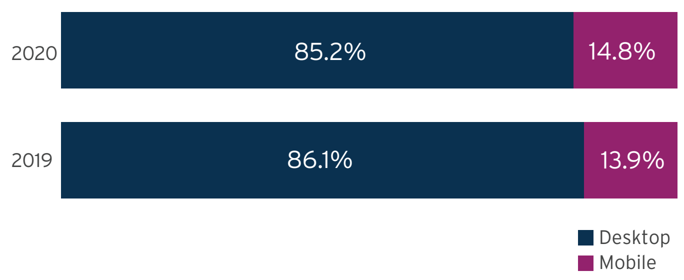
SHAREHOLDERS WHO VOTED



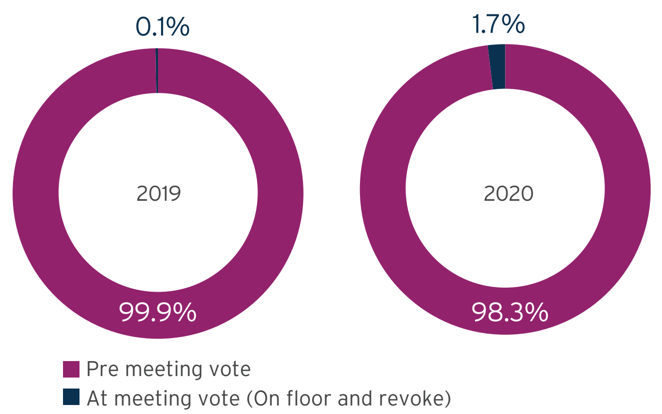
The preference for online voting continued to grow during 2020, accounting for 77.5% of votes cast in 2020. The volume of traditional votes (paper forms) received decreased from 34.5% to 22.5%.

Issuers should consider putting digital engagement at the forefront of their 2021 planning. A strong and sustainable digital focus is an important part of any long-term shareholder engagement strategy.

MOBILE VS DESKTOP VOTING

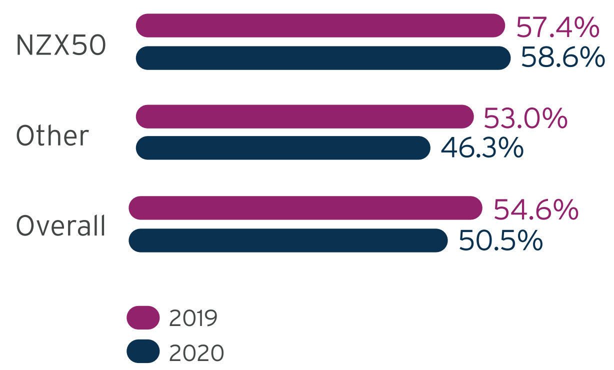


WHEN SHAREHOLDERS VOTE



In 2020, 98.3% of votes were lodged prior to the meeting, down from 2019.

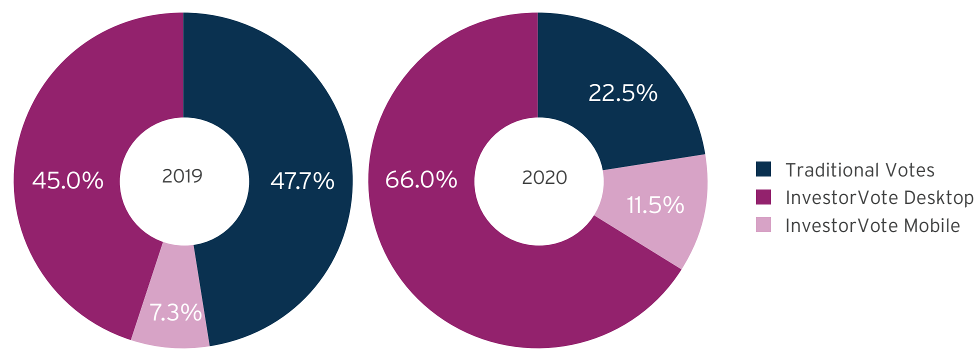
ISSUED CAPITAL VOTED



The percentage of issued capital voted was slightly higher in 2020 due to an increase in issued capital voted for those companies outside the NZX50.

The use of paper forms fell to **22.5%** in 2020

CHANNELS SHAREHOLDERS USED TO VOTE



Q&A

The significant shift to virtual and hybrid ASMs in 2020 generated discussion regarding the transparency of using online platforms. Many were concerned it would be too easy for directors to simply ignore uncomfortable topics or questions lodged by shareholders during online Q&A sessions.

Despite the varying approaches issuers took in managing their Q&A in 2020, the number of questions received from shareholders suggests it was an effective process and enabled them to stay engaged and communicate with directors during the meeting, given the reduced opportunity for in-person attendance.

While grouping similar questions on a single topic can help to streamline meeting proceedings, it involves prior planning and an established procedure. Grouping questions can make shareholders feel they aren't being heard – this should be taken into consideration when contemplating this approach.

It's worth noting that there are methods of providing transparency around Q&A that can be adopted, such as engaging an external moderator to run the session, and publishing a full list of questions, including those answered and unanswered during the ASM.

Our client feedback suggested that one of the key factors in managing Q&A successfully is deciding early on in your planning process which channels you will provide for shareholders to submit questions.

Here are the main options:

- **Pre-meeting questions**
  - These can be submitted via Computershare's InvestorVote tool, and companies can choose to accept questions via email or post.
- **At meeting questions**
  - These can be submitted via written Q&A, where registered shareholders submit their question in the appropriate field on the meeting platform.

There is no one-size-fits-all approach to managing Q&A. Every company will need to take a slightly different approach based on their individual circumstances.

Computershare can help you make an informed decision about how you choose to manage your Q&A moving forward.

KEY ISSUES

Climate change

Despite the spread of the coronavirus globally, the focus on ESG and climate action has been undiminished. With the rollout of Covid-19 vaccines in progress, a year on from the first cases, there has been a coordinated global response to find solutions and move forward together. A similarly ambitious and unified approach to solving climate change is likely to see even greater progress achieved.

Investors recognise that climate action and greater adoption of sustainability disclosures is a journey, but pressure is mounting on organisations to align with the Paris Agreement. Issuers can't be expected to reach best practice in one reporting period, but they are expected to define clear targets, embed climate strategy in their businesses, and disclose their performance against international sustainability guidelines.

KEY TAKEAWAYS

- As you would any other potential risk, assess what risk climate change poses to you
- Disclose your risks and what steps you're taking to mitigate them
- Look to measure your company's greenhouse gas emissions accurately, so you can set specific and realistic targets for limiting or reducing your emissions
- Speak to your investors about risk; ESG-aligned investors may have different priorities to those simply seeking share price growth

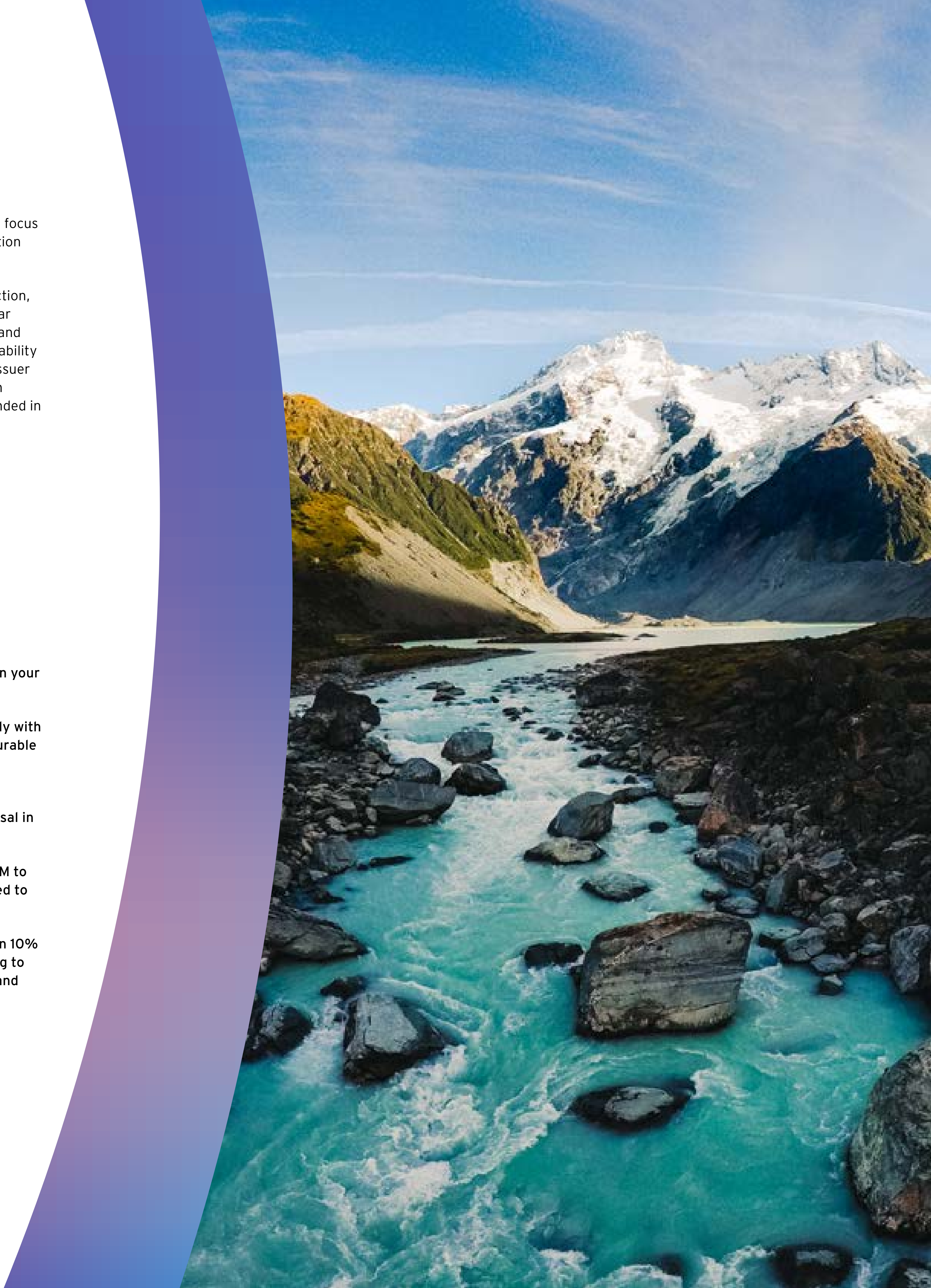
Activism

Shareholder activism continued to rise in 2020, with a focus on climate change along with an increasing consideration for social factors.

Overseas, the 'Say on Climate' initiative is gaining traction, giving shareholders a greater voice on the issue, similar to 'Say on Pay' resolutions. The aim is to hold Boards and management to account for the integration of sustainability risks into company strategy. As yet, no New Zealand issuer has voluntarily raised an advisory shareholder vote on climate transition policies, nor have Boards recommended in favour of shareholder-sponsored climate resolutions.

KEY TAKEAWAYS

- Identify any activists who are currently invested in your organisation
- If you receive a shareholder proposal, engage early with the proponent to increase your chances of a favourable outcome
- Provide detailed disclosures relating to your organisation's response to any shareholder proposal in your notice of meeting
- Engage with your investors well ahead of your ASM to gauge the level of support the proposal is expected to receive
- Where shareholder resolutions received more than 10% support in prior ASMs, provide disclosures relating to your subsequent engagement with shareholders and any action taken as a result



KEY ISSUES

Director accountability

Directors nominated for election in 2020 received slightly more support from shareholders and proxy advisors than in the previous year. Average support for issuer-endorsed directors in 2020 was 95.8%, slightly up on the 95.3% support in 2019. Approval from proxy advisors, CGI Glass Lewis and ISS also increased from 92.1% and 91.4% to 95.2% and 94.9% respectively[1].

Directors up for re-election experienced dissent from shareholders where governance failures were evident. These included: asymmetric provision of information between majority and minority shareholders, poor oversight of problematic pay practices, failures by the nomination committee to ensure majority independent and diverse board composition, and failed risk oversight.

Overcommitment of directors remains an issue for investors, especially in a year marked by accelerated corporate actions, business closures and operational upheaval. Understandably, workload is under scrutiny.

Legacy governance failures in previous directorships or senior executive roles will follow directors as they continue to be held accountable across their whole portfolio, both past and present.

The chair and members of nomination committees are also being held accountable for the diversity of boards and management. Gender and ethnic diversity are focus topics for index funds and proxy advisors, but diversity of demonstrable skills is also important.

By providing a board skills matrix, investors can see the contribution of each director to the governance of the organisation more clearly. It is also wise for the nomination committee to identify any skills gaps and provide insight into how these gaps are being addressed in succession planning.

Where governance failures have occurred, boards and management will need to work hard to overcome the trust deficit and restore the issuers' social licence to operate in the eyes of shareholders and broader stakeholders.

KEY TAKEAWAYS

- Assess the independence of your board. Are the interests of all shareholders protected?
- How diverse is your board? Think ethnicity, gender, age, skills and geography
- Are the procedures for director appointment and re-appointments transparent and sufficient?

[1] Proxy Insights

KEY ISSUES

Executive remuneration

Where shareholders were denied distributions, experienced steep share price declines or had their holding diluted by equity raisings, those shareholders wanted to see their experience correspondingly reflected in remuneration outcomes for executives and non-executive directors. Despite this, a number of issuers sought to make retroactive changes to performance conditions previously set to enable executives to be more highly remunerated. Some issuers withdrew these resolutions following comprehensive shareholder consultation and engagement.

Support is most forthcoming if the non-financial metrics allow for adequate stretch, have transparent and clear articulation of targets and performance outcomes, and are appropriately weighted to avoid the risk of misalignment between bonuses and shareholder outcomes and expectations.

Are historical awards allowed to be clawed back? Can former employees be held accountable? Are there adequate consequences for failure to manage non-financial risks? It's clear that remuneration frameworks need to be set appropriately to allow boards and management to make timely decisions without further damaging their credibility when submitting their remuneration report at the next ASM.

KEY TAKEAWAYS

- Is there adequate alignment between the proposed executive pay structure and the shareholder outcomes?
- Shareholders may support the use of downward discretion on remuneration packages but any positive discretion or change in structure to facilitate greater compensation will be viewed poorly
- Consult investors and proxy advisors when formulating remuneration structure
- Allow shareholder to vote on any long-term incentive grants
- Help your investors understand your remuneration structure and outcomes by providing a narrative, not just the numbers

The rise of E&S

New Zealand companies are becoming increasingly conscious of their obligations for action and disclosure on environmental and social (E&S) issues, either as a response to investor demand, in recognition of the risk mitigation benefits and opportunities, or from a sense of societal obligation.

The depth of information and insights that can be generated from integrating E&S into corporate strategy and disclosures is considerable and requires more than a token mention at results or in ASM presentations to be well understood. The process of integrating E&S into an organisation is iterative; investors need to be taken on the journey to understand the targets, strategy and performance outcomes over multiple years.

The appetite from the sell-side to engage is also strong, with E&S factors influencing valuation outcomes and recommendations.

KEY TAKEAWAYS

- Consider if your ESG strategy is in place and appropriately integrated into your risk framework
- Speak with your shareholders to see if they would benefit from an E&S specific engagement

Proxy trends

The stewardship frameworks of top proxy advisors continue to evolve, as do their voting recommendations to investors. As the standard of issuer disclosures improves, so too does the standard to which the investor community deems acceptable governance practice - the high-water mark continues to rise.

Proxy advisors research and assess the performance and disclosures of issuers to provide investors with recommendations about how best to vote to hold the Board and management to account. Many investors or funds do not have the resources to dedicate to in-house governance research, so they take these recommendations at face value. Others use this information to inform their own research and supplement their own stewardship codes.

Proxy advisors also have additional 'lenses' investors can apply over a basic governance recommendation to bring environmental and social (E&S) agendas into sharper focus. This is of interest to a broad range of sustainable funds and investors, including signatories to the United Nations Principles for Responsible Investment (UN PRI). Most of the policy overlays cover climate, sustainability, responsible investment or faith-based frameworks, which are updated annually. The inclusion of a Covid-19 pandemic policy by ISS, issued in April 2020, demonstrates how quickly proxy advisors adapt to changing shareholder expectations.

Consideration of proxy guidelines is good practice when writing Annual Reports and setting remuneration and governance disclosures. Even better practice is to engage with proxy advisors in advance to understand their current focus or specific concerns so they can be addressed ahead of embarrassing resolution withdrawals, remuneration strikes or significant opposition to director elections.

Georgeson can assist issuers in understanding the influence of proxy advisors on their register, as well as provide early vote data to allow for more targeted engagement. Being equipped with this information early increases the opportunity for resolution amendments, proxy report responses and constructive discussion to enhance opportunities for successful ASM outcomes. At the very least, armed with this information, investor relations officers and company secretaries can manage the expectations of the Board and Management more effectively in the lead up to a challenging meeting.

KEY TAKEAWAYS

- Review proxy advisor reports from prior years to identify "hot button" issues
- Understand how much influence proxy advisors have on your register
- Meet with the proxy advisors to discuss what you are doing in relation to corporate governance; answer the hard questions and address their concerns well before their reports are published
- Ensure the Board have demonstrable fluency in how climate risk affects the business and how management approached assessing, adapting to and mitigating the risk

INSIGHTS FROM AROUND THE GLOBE

United Kingdom

Mike Sansom
Head of Registry Computershare UK

The UK is entering its second full AGM season under the current Covid pandemic. In 2020, the UK government introduced emergency legislation to enable meetings to take place 'behind closed doors' with a minimum quorum present, either at a physical location or via remote means. As a consequence, relatively few meetings deployed additional technology to qualify as a proper 'hybrid' or 'virtual' meeting (ie authenticated login by attendees and technology-assisted Q&A and voting), with others using teleconferencing or zoom-style technology to enable a degree of shareholder engagement.

Emergency legislation provided temporary relief until the end of September 2020 and has been extended twice since.

Consequently, the UK market is gearing up for an AGM season where the emergency provisions providing added flexibility apply for companies with meetings in the first three months of the year, and historic rules apply thereafter. For meetings from 31 March onwards, companies will need to balance the default UK rules (see below) with measures designed to ensure the safety of shareholders, boards, and the public in general.

The default position in UK law and company articles of association is as follows:

- UK law permits hybrid meetings, providing they are allowable (or at least not prohibited) by a Company's Articles of Association.
- There is some uncertainty as to whether a fully virtual meeting is possible. This stems from a legal requirement for the Notice of Meeting to state the 'place' of that meeting, and common law indicating that the place means a physical location.

A variety of UK bodies and institutions are seeking to issue guidance and thought leadership papers with the intention of reshaping the format and purpose of the AGM in the future. Both the Financial Reporting Council (the body that issues the UK Corporate Governance Code) and ShareAction (a charity seeking to make investment a source for social good) have issued reports making suggestions on the format of the AGM in years to come. Both are seeking to improve the effectiveness of engagement between companies and their stakeholders. Such reports are likely to influence the longer-term picture for AGMs beyond 2021. The UK Governance Institute, on the other hand, has issued guidance designed to assist companies with navigating the various challenges of the 2021 AGM season, exploring the use of technology to facilitate remote participation by shareholders, and looking at the means by which companies might be able to retain physical venues (for their 'hybrid' or 'in person' elements of their meeting), with appropriate safety measures.

Given the quickly-evolving situation, many companies are adopting an approach of having a Plan A, B and C, to cover different contingencies. Which they choose to deploy when they issue their Notice of Meeting may depend on the precise timing of their meeting and the progress made in the UK's vaccination programme, as well as local restrictions in force governing gatherings or movement of people, amongst other factors.

An interesting season ahead.

Continental Europe

Kirsten van Rooijen
COO Continental Europe

If we look back one year, most listed companies were preparing for a physical meeting - no one was thinking about a virtual component. A month later, in March 2020, the world had changed. By April, most countries had emergency legislation in place to allow companies to hold a full virtual meeting. The only country that previously permitted fully virtual meetings was Denmark, but since the introduction of this legislation a number of years ago, the uptake remained very limited. Most companies still opted for a physical meeting.

We have seen a variety of 'virtual' meetings in Continental Europe. In the Netherlands and the Scandinavian markets, most companies adopted a full virtual meeting, allowing shareholders full rights (voting and questions) and allowing them to watch the video webcast of the shareholder meeting. In France, most meetings were held behind closed doors, similar to the United Kingdom.

In Switzerland, all companies opted for an in-person meeting as they did not want to add a virtual component. Their meetings were attended by the Board and company representatives with shareholders strongly advised not to attend.

In Italy, most meetings were held virtually, but without granting shareholders full rights and mostly with only an audio recording of the meeting that shareholders could listen to live. In Germany, at first, most meetings were postponed to June or even beyond, as legislation allowed companies to postpone their meeting beyond 30 June 2020. We saw a peak of meetings in the summer period. Most of them featured a live-video webcast of their meeting, but not all granted full rights to shareholders.

Most of the Continental European countries allowed shareholders to ask questions before the meeting. Some companies posted the answers to these questions prior to the meeting, while others addressed them during the meeting. Interestingly, in the Netherlands, only those shareholders that asked a question prior to the meeting were allowed to ask a follow-up question during the meeting.

We are now preparing for another AGM season in 2021. Although emergency legislation has not been extended in all countries, the expectation is that most companies will again prepare for another virtual AGM. The pressure from lobby organisations and shareholders is growing to ensure they can fully exercise their rights throughout the AGM season.

Companies have had a full year to prepare for their next virtual AGM, so the expectation is that they will at least provide a live video broadcast of their meeting, and shareholders will have access to both live voting and Q&A. In most central European countries, there is no right to be heard and seen, and therefore most companies will only opt for a live chat during the meeting.

Scandinavian markets typically have their peak season in March and April. Here we already see most companies opting for a full virtual meeting. The expectation is that the other central European countries will do the same. Given the current Covid situation, it won't be safe to allow shareholders to attend AGMs in person for some time.

United States

Ruthanne Wrenn
Global Regulatory and Market Initiatives Research Analyst

In March 2020, the beginning of the U.S. meeting season, the landscape rapidly changed with lockdowns and social distancing in place. Many companies had already begun planning their AGMs and had to swiftly change course. The Securities and Exchange Commission (SEC) issued guidance encouraging the use of virtual meetings and allowed for adjustments to change of venue and provided flexibility for proxy distribution material. However, for annual shareholder meetings in the U.S. companies are subject to the law of the state in which they are incorporated.

At the onset of the pandemic 30 states allowed for the use of fully virtual meetings. Since then six further states have made permanent changes to their laws to allow for the use of fully virtual meetings. The remaining states, some of which require in person meetings and others where hybrid meetings are acceptable, have been providing relief on a monthly basis and extending it along with the state of emergency. At time of writing, only one state, New York has extended relief until December 2021.

Due to the lack of certainty around the relief expiry dates Computershare worked with the Securities Transfer Association (STA) to communicate with relevant states to seek extended relief for this proxy season and, where appropriate, permanent change to state law to facilitate fully virtual shareholder meetings.

Despite clear challenges, the 2020 season was a success. In the U.S. we facilitated over 600 fully virtual shareholder meetings.

Following the main 2020 meeting season, stakeholders from across the industry convened to analyse lessons learned and create new recommendations for companies and meeting providers.

These recommendations culminated in the "Report of The 2020 Multi-Stakeholder Working Group on Practices For Virtual Shareholder Meetings", published by Rutgers Center for Corporate Law and Governance in partnership with the Council of Institutional Investors and the Society for Corporate Governance, and with input from multiple additional stakeholders, including Computershare as a steering group member.

Additionally, a key issue that emerged due to the widespread adoption of full VSM in 2020 was beneficial owner access to virtual meetings. Due to the structure of the US proxy system, many beneficial owners experienced constraints in attending virtual meetings. An existing industry working group, established under the auspices of the SEC to resolve certain aspects of proxy voting, took on the task of resolving this access issue in Q3 2020. This has now been achieved by the development of APIs to streamline validation of beneficial owner access to VSMs, giving issuers the option to make this solution available to their shareholders.

Computershare was the first US Transfer Agent to 'go live' offering this solution to issuers. The SEC has agreed that issuers who have already mailed proxy materials, prior to launch of the API solution, can advise beneficial owners of the option of accessing the VSM via the new arrangements by means of an electronic filing with the SEC. For these issuers, no additional client mailing, press release or other communications are required, making the process more cost effective and easier. This represents a significant step forward for the US market and we expect to see issuers offering this to their shareholders over the coming months.

As a result of these developments, despite the ongoing emergency, we are moving into the 2021 proxy season with improved regulatory certainty for issuers regarding their options for safely conducting shareholder meetings, and improved access options for shareholders.

THE FUTURE OF ASMS

Covid-19 has been a catalyst for major change to the New Zealand ASM landscape. It well and truly opened the door to wider discussions about the role technology can play in helping issuers engage and communicate with their shareholders.

With the shift toward digital engagement gaining momentum, issuers should consider putting digital options at the forefront of their 2021 planning. A strong and sustainable digital focus should be a primary aspect of any long-term shareholder engagement strategy.

In 2021, the core principles of good governance will continue to be enforced; where there is dissonance between corporate behaviour and shareholder or societal expectations, leaders will be held to account. Beneficiaries of government support should be especially mindful of this when structuring remuneration packages.

Importantly, proxy advisors, fund managers and asset owners have all set their 2021 stewardship targets with a sharpened focus on long-term, sustainable value driven by demonstrated action on diversity and climate change.

Despite the ongoing seriousness of the pandemic, the material concern of climate change remained a key focus of the responsible investment community. Shareholders want assurance that issuers are adequately managing their ESG risks, given their potential impact on positive long-term shareholder returns and wider sustainability. Issuers, therefore, need to understand the expectations of their shareholders around ESG and build a strategy towards better alignment.

Over the past few months, we have seen circumstances and related restrictions change quickly and unpredictably. For this reason, issuers need to put in place a range of contingencies to cover scenarios that could affect their ASMs, particularly where physical meetings are being planned.

Computershare is committed to reshaping the ASM landscape to benefit companies, their shareholders and wider stakeholders across financial markets and the wider community. We always seek to deliver innovative solutions and to work with our clients to achieve successful and compliant ASMs.

About Computershare Investor Services

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

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

About Georgeson — a Computershare company

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

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

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

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

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