MEDIA STATEMENT

For Tuesday 6 December release

- **Leading Index predicts continued stagnancy in stock market performance for early 2017**

- **Shareholders want to see CEO bonuses linked to more than just the bottom line**

- **Environmental risk management rates highly and drives trading activity**

**Sydney, AUSTRALIA** – Global economic concerns continue to weigh on shareholder confidence with the GPS – Melbourne Institute Shareholder Confidence Index falling slightly in the November quarter. The index is, nevertheless, 6.2 per cent above its value this time last year. Although current shareholder confidence rose by 3.5 per cent, expected confidence fell by 4.0 per cent. Looking forward, investors continue to expect flat stock market conditions.

Dr Sam Tsiaplias of the Melbourne Institute (which also authors the Westpac Consumer Sentiment Index) notes the accurate performance of the leading index in the previous quarter. In particular, the ASX 200 was largely unchanged over the three months to November and this is consistent with the weak shareholder sentiment observed in August. “Investors have cited global economic conditions as their primary reason for selling, indicating ongoing uncertainty about short and medium term global economic prospects.”

In an AGM season distinguished by a very high number of “strikes” (where a Company’s Remuneration Report attracts more than 25% dissent from voted shares), shareholders are keen to see CEO bonuses linked to non-financial measures with almost 2 in 3 saying they should be linked and only 1 in 5 saying they should not. However, sentiment on this issue greatly diverges depending on shareholder age with 65.42% of those over 65 saying it should but only 25% of those less than 55 years of age saying it should.

With growing focus and scrutiny on the topic of Environmental, Social and Governance (ESG) risk management, shareholder opinion continues to greatly diverge between shareholder age groups. Only 17% of shareholders aged over 65 believe that a focus on ESG risk management delivers greater long-term returns for shareholders compared to 51.31% for those aged less than 55.

In general, economic factors rated as the highest concern at 45.74% followed by environmental factors at almost 37% and social factors trailing at less than 5%.

Interestingly however, social risks are rated three times higher (18.90%) by shareholders aged less than 55 compared to those over 55 years old as having an impact on whether they buy or sell shares.

GPS Director Andrew Thain says the disparity in opinion amongst shareholders highlights the importance for companies to understand their investors and align their strategy accordingly. “In the current tumultuous climate, it would be a mistake to make assumptions about shareholder opinions. As demographics change, so
do priorities and interests, so a one-size-fits-all approach may blindside companies when they go to their shareholders for support.”

The Index, published quarterly by the University of Melbourne and Global Proxy Solicitation (GPS), is designed to track the likely change in share market behavior and provides information that informs the shareholder engagement and governance advice that GPS provides to boards.

ENDS

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