Show me your hand: An examination of voting methods at annual general meetings

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A R T I C L E   I N F O

A B S T R A C T

Until 2022 Australian companies' legislation required that resolutions at annual general meetings be decided using a show of hands of those present at the meeting unless the meeting chair called a poll vote. The use of show of hands voting has been criticised as it ignores a shareholder's ownership stake and does not count the votes of shareholders that vote prior to the meeting. Additionally, there is anecdotal evidence that resolutions have been passed by a show of hands when votes cast prior to the meeting suggested that the resolution may have failed. This study investigates the extent of inappropriate passing of meeting resolutions, along with the determinants and consequences of the voting method employed. Consistent with the anecdotal evidence we report that some firms appear to have inappropriately passed resolutions using a show of hands vote. We document firms are more likely to vote by poll when they are larger, have lower stock returns, have greater board gender diversity and lower shareholder concentration. Importantly we find that the method of voting matters to shareholders and that a move away from voting by a show of hands encourages greater shareholder voting participation and dissent at the annual general meeting. Interestingly, firms are more likely to withdraw resolutions with higher dissent prior to the AGM when show of hands voting is discouraged.

1. Introduction

In public corporations, shareholders, especially retail and non-controlling shareholders, exercise their voting rights predominantly at annual general meetings (AGMs). Until 2022 the Australian institutional environment required AGM resolutions to be decided on a show of hands (SOH)[1] vote unless a poll is demanded by shareholders or the chair of the AGM.[2] Despite this legislative imperative, Australian regulators, investors and the media raised concerns about whether SOH voting reflected best practice. A broad issue with the use of SOH voting is that the vote is undemocratic in that proxy votes cast prior to the meeting are not counted and the outcome of the resolutions only represents the views of those physically present at the AGM. Moreover, shareholders are provided only one vote irrespective of the number of shares owned. Additionally, passing a resolution by a SOH converts a continuous voting result (i.e., the percentage for or against) into a binary outcome (i.e., pass or fail) reducing the value of the signal sent to management by the

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[1] Section 250 J of the Corporations Act.
[2] Section 250 L of the Corporations Act.

proportion of dissent votes. These issues led to calls for SOH voting to be prohibited (Glass Lewis, 2013).

Despite concerns regarding the appropriateness of SOH voting, descriptive and anecdotal evidence suggests that many listed Australian firms used this voting method to determine AGM resolution outcomes. For example, an Australian Institute of Company Directors (2013) report states that only 58 % of large ASX firms voted by poll on all resolutions in 2012.[3] More recently, in its January 2018 report on the preceding AGM season, the Australian Securities and Investments Commission (ASIC) stated "of particular concern was the fact that 25 companies in the Australian Securities Exchange (ASX) top 200 continued to decide resolutions by a SOH rather than by conducting a poll."[4] This historical persistence of the use of SOH voting suggests that a non-trivial proportion of companies find it the optimal voting method for their stakeholders, perhaps due to shareholders or managers believing those physically present at the meeting are best placed to make informed voting decisions.

More importantly, whilst the Corporations Act[5] requires the AGM chair to ensure that a resolution decided using a SOH reflects the will of all shareholders casting a vote, concern has been expressed that SOH voting was used by some firms strategically to obtain voting outcomes which are inconsistent with the will of shares voted by proxy prior to the meeting. For example, the Australian Financial Review (Durkin, 2015) highlights that some companies passed their remuneration resolution on a SOH rather than a poll, when proxies cast before the meeting suggested greater than 25 % dissent triggering a 'first strike' under Section 250 U of the Corporations Ac.[6] ASIC has also expressed concerns about the use of SOH voting on the remuneration report (Australian Institute of Company Directors, 2013).

In response to these concerns, the 2019 ASX Corporate Governance Principles and Recommendations (CGPR) recommended that all substantive AGM resolutions be decided by a poll rather than by a SOH (Australian Securities Exchange, 2019). This change in ASX policy meant that Australian listed companies temporarily faced an inconsistency between the Australian Corporations Act which required the use of SOH voting at first instance and ASX guidelines which recommended that AGM resolutions are determined using a poll. In 2022, as part of several changes to facilitate hybrid AGMs, the Australian Government updated the Corporations Act to require listed companies to determine AGM resolutions via a poll.[7]

The conduct of Australian AGMs has been subject to two earlier Australian Government reviews (CASAC (Companies and Securities Advisory Committee), 2000; CAMAC (Corporations and Markets Advisory Committee), 2012). Both reviews examined if current AGM procedures, including the use of SOH voting, facilitated shareholder engagement and participation. It is noteworthy that to date there is a paucity of empirical evidence which informs the numerous issues identified in the two Australian government reviews. This study starts to address this lack of evidence by providing evidence to inform the debate on whether SOH voting was used inappropriately by some firms. Additionally, we analyse whether the type of voting method used to decide AGM resolutions matters to shareholders and influences their decision on both whether and how to vote on AGM resolutions. These results thus provide direct evidence relevant to the earlier government reviews and indicate whether the AGM voting method is important for encouraging shareholder engagement and participation at the AGM. As highlighted above, both the ASX Guidelines and the Corporations Act been changed to prohibit SOH voting without large sample evidence. Large sample evidence is advantageous because considering only anecdotal evidence can lead to the potentially erroneous inference that SOH was systematically used by AGM chairs to thwart the will of those holding a majority of votes. Furthermore, making regulatory changes without evidence that SOH voting was used inappropriately may impose unnecessary costs for firms in the conduct of their AGM without providing significant benefits for shareholders.

In particular, this study fills the gap by providing the first large-scale evidence on the extent, determinants, and consequences of the use of the SOH voting at Australian AGMs. Specifically, the objectives of this study are to provide descriptive and empirical evidence on: i) the extent of the use of SOH and poll voting; ii) the determinants of voting method choice iii) whether SOH voting is used to defeat the will of the majority of shares voted; and iv) whether a change to poll voting empowers shareholders to participate at the AGM.

The results in this study are based on voting at Australian AGMs for all ASX listed entities from 2005 to 2021 which is prior to the amendment to the Corporations Act prohibiting the use of SOH voting. We find that SOH voting dominates at Australian AGMs until the release of the revised ASX Corporate Governance guidelines in 2019. For instance, until 2016 at least 80 % of resolutions are decided using a SOH, and between 2007 and 2009 the percentage exceeded 90 %. These results indicate that the majority of firms believe SOH voting is the optimal method. Whilst there has been criticism from ASIC and the financial press that SOH voting has been used to defeat resolutions inappropriately, we find very few examples of resolutions disclosed as passed by a SOH when the proxy votes cast against the resolution prior to the meeting exceed 50 %. Similarly, since the introduction of the "two-strikes" rule in 2011, only 0.37 % of remuneration report resolutions are passed on a SOH when proxy votes against are higher than 25 %.

An analysis of the determinants of poll voting, indicates that poll votes are more likely to be used by larger firms and those with gender diverse boards. In contrast we find that higher board and top 20 shareholder ownership leads to a significantly lower use of poll voting. We also find that poor performing firms in terms of stock market performance are more likely to adopt poll voting. This finding is consistent with pressure from shareholders to adopt better governance mechanisms that increase board accountability. We also document that consistent with the Corporations Act higher dissent on AGM resolutions leads to firms making use of poll voting.

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[3] Similar evidence presented by the Australian Council of Superannuation Investors (2012) shows that in 2011 amongst the ASX top 300 companies only 31 % of resolutions were passed using a poll.

[4] Page 15, ASIC Report 564 Jan 2018 "Annual general meeting season 2017."

[5] Section 250 J.

[6] Similar evidence was reported by the Australian Council of Superannuation Investors (2012) for the 2011 case of Metcash Ltd.

[7] Section 250 JA.

In terms of the consequences of using poll votes, we document that poll voting and a change to poll voting is associated with increased shareholder participation in terms of the number of shares that are voted at the subsequent AGM. We also find that shareholders are more likely to vote against AGM resolutions if a firm uses or changes to voting by a poll. These results are consistent with poll voting empowering shareholders to vote knowing that their 'voice' will be heard in determining the outcome of AGM resolutions. Our findings of greater shareholder participation and engagement at AGMs when poll voting is employed lends support to the change away from SOH voting made by the ASX in 2019 and the Australian Government in 2022.

In additional testing we examine if the introduction of the ASX CGPR recommending against voting by a SOH in 2019, impacted the likelihood that firms withdraw resolutions prior to an AGM. Given our evidence that some firms took advantage of SOH voting to pass resolutions that would otherwise fail, the removal of the ability to use a SOH vote may potentially have led firms to withdrawing resolutions prior to an AGM that appeared to be destined to fail. As expected, our results show that greater shareholder dissent on a resolution increases the likelihood that a resolution is withdrawn prior to the meeting. Interestingly, we find that the impact of dissent on the withdrawal of resolutions prior to an AGM increases after the introduction of the ASX recommendation against SOH voting. This result suggests that when a SOH vote cannot be used, firms are more likely to withdraw resolutions with greater dissent perhaps due to the inability to convert the negative signal from high shareholder dissent into a binary pass outcome.

This study makes several contributions. First it provides evidence on issues relating to the conduct of AGMs raised by industry bodies and the Australian Government in the 2002 CASAC review (CASAC (Companies and Securities Advisory Committee), 2000) and the 2012 CAMAC review (CAMAC (Corporations and Markets Advisory Committee), 2012). These issues included disquiet that the use of SOH voting at AGMs potentially resulted in voting outcomes which are undemocratic, and which did not reflect the will of the majority of shares voted. These concerns led to the Australian Government and ASX taking action to eliminate SOH voting, without large sample empirical evidence upon which to make informed judgement and decisions. The findings from this study provide evidence to inform this debate. Our results indicate that SOH voting was used appropriately by most firms, with a poll vote conducted when there was greater shareholder dissent. However, we also provide evidence consistent with some firms disenfranchising the will of the majority of shares voted by using a SOH vote when a resolution appeared destined to fall. Thus, the prohibition on SOH voting introduced in 2022 appears necessary to restrain inappropriate conduct by a small minority of firms. Given the substantial value of Australian listed entities (approximately $2.6 trillion in December 2023),[8] it is important to the Australian economy, shareholders and other firm stakeholders that AGMs and shareholder voting at AGMs are conducted in a manner which is fair and maximises shareholder engagement.

Our findings also indicate that the use of poll voting leads to greater shareholder voting at AGMs, and a greater willingness to vote against AGM resolutions. This evidence of higher shareholder engagement and participation with AGMs when poll voting is employed is also supportive of the Australian Securities Exchange (2019) recommendation against SOH voting and the 2022 amendment to the Corporations Act. These findings are also relevant to the issues raised in the earlier CASAC (Companies and Securities Advisory Committee) (2000) and CAMAC (Corporations and Markets Advisory Committee) (2012) reviews as they highlight the AGM voting method is associated with shareholder participation. Additionally this study's results that SOH voting is used inappropriately by some firms, and is associated with lower shareholder participation at the AGM is relevant to other jurisdictions (e.g., New Zealand and the United Kingdom) which require or encourage SOH voting at AGMs.

Second, this study contributes to the growing literature on the conduct of voting at AGMs. Prior literature has largely focused on the conduct of director elections in the US and issues associated with the use of plurality versus majority voting (Cai et al., 2009; Cullinan et al., 2017; Ertimur et al., 2010; Mitra et al., 2021; Tanyi et al., 2021). The findings in this study extend this body of research to examine if the procedure used to tally shareholder votes at the AGM matters to shareholders when deciding if they vote at the meeting. Our findings indicate that poll voting encourages shareholders to both vote at the AGM and to vote against resolutions, suggesting that shareholder participation at AGMs is lower when AGM procedures lead to the possibility of shareholder votes being disenfranchised.

The remainder of the paper is structured as follows. Section two describes the Australian institutional setting, summarises prior research and develops hypotheses. The data and empirical results are provided in section three and four respectively, whilst the final section summarises the findings in the paper and provides suggestions for future research.

2. Institutional setting and hypotheses

2.1. Australian institutional setting

2.1.1. Conduct of AGMs

Section 250 N of the Australian Corporations Act requires public companies to hold an AGM of shareholders at least once per calendar year and within five months of the end of the financial year. Section 249R requires that any shareholder meeting be held at a "reasonable time and place." The AGM facilitates engagement between shareholders and companies and allows the firm to discharge its accountability to company owners (CAMAC (Corporations and Markets Advisory Committee), 2012). The AGM also allows shareholders to ask questions of company management and directors and to express their view on matters relevant to their ownership in the company. At the AGM shareholders are also given the option to vote on resolutions put forward by the company. These resolutions typically include a vote on the: election of company directors; approval of the firm's remuneration report and approval of the

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[8] https://www.asx.com.au/about/historical-market-statistics.htm

company's auditor and auditor remuneration. Regarding the approval of the remuneration report, in 2011 Australia adopted the unique "two-strikes" rule that gives shareholders the ability to vote on a board spill if a company's remuneration report receives 25 % or more against votes at the AGM in two consecutive years.

The integrity and effectiveness of shareholder voting at the AGM is critically important as it is the only mechanism by which most shareholders can express their opinion on the decisions and governance of a firm. Concerns around the effectiveness of shareholder engagement at Australian AGMs has in the past been subject to several government reviews. In 2000 the Companies & Securities Advisory Committee conducted a review of the legislative framework surrounding the conduct of Australian shareholder meetings (CASAC (Companies and Securities Advisory Committee), 2000). The purpose of the review was to examine if existing legislation was acting as an impediment to shareholder participation in listed public companies which was seen as a "key aspect of corporate governance" (CASAC (Companies and Securities Advisory Committee), 2000 p. 1). In 2012, the Australian Government Corporations and Markets Advisory Committee (CAMAC (Corporations and Markets Advisory Committee), 2012) conducted another review into the AGM and shareholder engagement. Like the 2000 CASAC review, the focus of the 2012 CAMAC report was to heighten shareholder participation in the companies they own, and to ensure that AGMs "continues to serve its intended purposes, including providing a valuable forum to facilitate effective corporate governance" (CAMAC (Corporations and Markets Advisory Committee), 2012, p1).

2.1.2. Method of voting

Until 2022, Section 250 J of the Corporations Act required that an AGM resolution be decided by a SOH vote unless a poll is demanded. Prior to a vote being conducted the chair of the meeting must advise the meeting of any proxy votes received before the meeting and how these votes will be cast. When conducting a vote by a SOH, the meeting chair is required to ensure that the vote outcome reflects the will of those not only present at the meeting but also proxy votes cast prior to the meeting.[9] Anecdotal evidence (Durkin, 2015) however, suggests that some AGM chairs ignore proxy votes received prior to the meeting if it would result in the failure of a resolution. At an AGM a poll can be demanded by the meeting chair, at least five shareholders; or any shareholder with at least a 5 % shareholding.[10] As part of a reform package to facilitate hybrid AGMs, the Corporations Act was updated in 2022 to require listed firms to use poll voting on all AGM resolutions.

The main issue with SOH voting is that the vote is undemocratic as it ignores proxy votes and only represents the views of shareholders physically present at the meeting. Moreover, as shareholders are provided only one vote irrespective of the number of shares owned (CASAC (Companies and Securities Advisory Committee), 2000), the reported voting outcome (i.e. pass or fail) has the potential to mislead investors and provide a muted signal to managers on the actual level of support or dissent against a resolution. Arguably, the SOH method may be justifiable in circumstances where a company's shareholders comprise a relatively small, geographically concentrated group and/or the technology for enabling non-proximate shareholders to participate is unavailable or uneconomic. Otherwise, the drawbacks of SOH voting are likely to outweigh its merits. In particular, SOH voting reduces voting transparency and not only disenfranchises proxy votes (CASAC (Companies and Securities Advisory Committee), 2000) but may be wittingly used as a vehicle to deliver an outcome which is inconsistent with that which would have occurred had a poll been conducted (Australian Council of Superannuation Investors, 2012; the Australian Institute of Company Directors, 2013). That is, the issue is not merely that those shareholders present at the meeting may inadvertently not represent the views of those holding the majority of shares, but rather that some stakeholders may actively promote this circumstance to favour their interests. Anecdotal evidence in fact suggests that at least some firms strategically used a SOH vote to defeat the will of the shareholder majority (Durkin, 2015).

In terms of a firm's choice of voting method, is the likely that they adopt an AGM voting method which is the least costly and optimal for their stakeholders. For instance, shareholders may consider it palatable for a de facto reduction in their voting power relative to their economic interest, if they believe those who physically attend a meeting are better placed to decide the outcomes of AGM resolutions. The plausibility of this conjecture is supported by the relatively high incidence of US public corporations that have recently undertaken an IPO with a dual class voting structure.[11] Additionally, using poll voting imposes additional costs on firms which may be unwarranted, particularly where the voting outcome on a resolution would be identical to that which would be obtained using a SOH.

Both earlier Australian government reviews into the conduct of AGMs reviewed if SOH voting should continue to be allowed. The CASAC review (Recommendation 18) recommended no legislative prohibition on voting by a SOH and indicated they did not see a need for legislation to demand an AGM chair conduct a poll when the proxies cast prior to the meeting suggested that the outcome of a resolution conducted by SOH would be overturned (CASAC (Companies and Securities Advisory Committee), 2000). Similarly, the CAMAC review also examined the use of SOH voting and called for submissions on whether changes were needed.[12] Amongst the 36 public submissions to the CAMAC review, there were an equal number of submissions advocating for the continuation versus prohibition of SOH voting. For example, the Business Council of Australia argued that uncontentious matters should continue to be decided by a SOH (Business Council of Australia, 2013).[13] Outside Australia the UK Shareholders Association (2009) and Company Law Steering Group advocates for the continued use of SOH voting at UK AGMs (Poutianen, 2001). Moreover, under Section 124 of the

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[9] The chair of the AGM has access to proxy votes cast prior to the meeting and is legally obliged by common law (CAMAC (Corporations and Markets Advisory Committee), 2012) to consider how these votes have been cast before declaring a resolution as having passed or failed by a SOH.
[10] Section 250 L of the Corporations Act.
[11] In 2021 nearly 25 % of US IPOs have dual-class voting (see https://www.cii.org/dualclass_stock).
[12] CAMAC was disbanded in 2014 by the Australian Government prior to completing their final report into the conduct of AGMs.
[13] https://www.bca.com.au/submission-to-the-corporations-and-markets-advisory-committee-agm-and-shareholder-engagement-discussion-paper

New Zealand Companies Act voting at shareholder meetings should be conducted using either a SOH or by shareholder voice unless a poll is demanded.

2.1.3. ASX principles of good corporate governance and best practice

Since 2003 the ASX Corporate Governance Council has periodically corporate governance principles and recommendations. The first edition released in 2003 included ten core principles which the ASX believed were consistent with good corporate governance. These principles include recommendations on board structure such as separating the role of CEO and board chair; having a majority of independent directors on the board; and establishing nomination, remuneration and audit committees.[14] It is noteworthy that the ASX recommendations are guidelines and are not mandatory. Companies however, under the ASX listing rules must provide disclosure in their annual report on the extent to which the recommendations have been followed, and if they have not been followed an explanation must be provided.

Regarding shareholder meetings each edition of the guidelines had a recommendation requiring disclosure of how a firm encouraged and facilitated shareholder participation at meetings.[15] The third edition of the guidelines (Recommendation 6.3) encouraged firms to provide a direct voting facility to shareholders to allow them to vote without appointing a proxy (Australian Securities Exchange, 2014). Until the fourth edition of the ASX guidelines released in 2019 there was no recommendations regarding how AGM voting should be conducted. Recommendation 6.4 in the fourth edition states that all substantive AGM resolutions should be decided by a poll and not a SOH (Australian Securities Exchange, 2019).[16] The rationale provided for this recommendation is that a SOH vote is inconsistent with the principle of one share, one vote. The ASX guidelines also stress that the AGM chair can only determine the true will of shareholders voting at the meeting with certainty if the outcome is determined by a poll. It is notable that this explanation is contrary to the recommendation of CASAC in their 2000 review.

2.2. Prior research on voting at AGMs

To date there is virtually no evidence on the use of SOH voting in Australia. An exception is Stapledon et al. (2000), who provide descriptive evidence using a sample of director elections at 59 Australian AGMs in 1999, and document that poll voting is used in only 12 % of director elections.[17] Beyond Stapledon et al. (2000) the current evidence on the effect of shareholder voting at Australian AGM's is largely limited to studies that examine the determinants and consequences of voting on firms' remuneration reports.[18] Bugeja et al. (2023) find that following a "strike" firms reduce excessive CEO pay and independent directors experience higher turnover of their board seat and experience a loss in directorships at other firms. They also report that firms with higher abnormal, but not normal, CEO pay are more likely to receive a strike. This finding is inconsistent with earlier research by Grosse et al. (2017) which documents no association between a "strike" and any measure of CEO pay. In terms of the determinants of a "strike" Grosse et al. (2017) document that strike firms have greater leverage and lower market-to-book ratios. Atif et al. (2020) find that after the introduction of the "two-strikes" rule firms make greater use of equity-based compensation for CEOs, and the use of equity-based compensation is negatively related with firms' cash holdings. Li and Ang (2022) examine corporate vote trading after the introduction of the "two-strikes" rule. They report that institutions are more likely to recall their loaned shares prior to AGMs that result in the remuneration report receiving a "strike" indicating that the recalled shares are voted against the remuneration report.

Outside of Australia there is a significant body of US research which examines the determinants and consequences of director elections at AGMs. This research finds that shareholder dissent at director elections is related to company performance and various governance characteristics such as board size; board independence; board ownership; board gender diversity and CEO remuneration (Cai et al., 2009; Cullinan et al., 2017; Ertimur et al., 2010; Gal-Or et al., 2018; Hillman et al., 2011; Moskalev, 2020; Mitra et al., 2021; Tanyi et al., 2021). The evidence on the consequences of shareholder dissent at director elections are mixed. Whilst there is some evidence that higher dissent leads to greater director turnover (Aggarwal et al., 2019), other studies find no significant association (Cai et al., 2009; Ertimur et al., 2015; Ertimur et al., 2010, and Ertimur et al., 2018). There is also inconsistent evidence on the impact of shareholder dissent at director elections on the subsequent career path for candidates. Whilst Cai et al. (2009) reports no association, Aggarwal et al. (2019) documents higher dissent reduces future directorships and leads to directors being reassigned from prominent board positions.

Whilst most prior research on director elections have analysed US data, a limitation with many of these studies is that shareholder

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[14] The third edition of the ASX Governance Principles in 2014 introduced guidelines (Recommendation 1.5) around achieving gender diversity. Recommendation 1.5 was updated in the fourth edition in 2019 to require ASX top 300 companies to report against achieving an objective of 30 % board gender diversity.

[15] Recommendation 6.1 of the first and second editions (ASX, 2003, 2010); Recommendation 6.3 of the third and fourth editions (ASX, 2014, 2019).

[16] A draft fifth edition of the ASX CGPR released in 2024 deletes Recommendation 6.4 given the 2022 prohibition on the use of SOH enacted in the Corporations Act.

[17] Shah (2020) in an unpublished PhD examines several issues associated with voter participation on AGM resolutions from a legal perspective using a sample of ASX 200 firms from 2014 to 2018. The study does not examine issues associated with the use of SOH voting.

[18] There are several legal papers that examine various aspects of AGMs. Boros (2004) discusses whether an AGM is needed and if an electronic ballot can substitute for an AGM. The concentration of ownership in the largest 50 Australian firms is examined in Varzaly (2023) with the conclusion that most large firms have widely dispersed ownership.

dissent has been unable to be directly measured due to the use of the plurality voting method in uncontested director elections. Under plurality voting, which is not used in Australia, shareholders are unable to vote against a director when the number of candidates equals the number of vacant board seats (Aggarwal et al., 2019) and can only choose to withhold their vote (i.e., abstain). In contrast, in the majority voting system shareholders can vote against the election of a director and thus can clearly demonstrate their opposition to a director's appointment.

In more recent years an increasing number of large US firms have been adopting majority voting for director elections. Cai et al. (2013) find that firms that adopt majority voting have lower accounting and share performance, are larger, have more independent directors and a larger board. The negative association between performance and majority voting adoption may be driven by poorly performing firms being pressured to adopt a voting system which increases monitoring and the ability of shareholders to remove directors. Alternatively, Cai et al. (2013) suggest that poor performing firms perhaps adopt majority voting as a technique designed to distract shareholders from under performance. Cai et al. (2013) also report that the market reaction to the adoption of majority voting is insignificant and there is no effect of majority voting adoption on subsequent support for directors in elections, and the percentage of shares voted surprisingly decreases. They also find unexpectedly that firm performance decreases after majority voting adoption. Ertimur et al. (2015) find a similar insignificant effect of majority voting adoption on subsequent director turnover. Chung and Lee (2020) document that firms which use majority voting have higher institutional ownership, consistent with institutional investors preferring to invest in firms with better governance (Chung and Zhang, 2011) and pressuring firms to adopt majority voting. Chung and Lee (2020) also find that majority voting attracts new institutional investors and inconsistent with Cai et al. (2013), report that majority voting is associated with higher subsequent accounting performance.

Other aspects of AGMs which have been examined include the location of the meeting (Li and Yermack, 2016) and the influence of the form in which the proxy notice is delivered (Cai et al., 2020) to shareholders prior to an AGM. Li and Yermack (2016) find that companies that move their AGM a greater distance from corporate headquarters experience subsequent underperformance, despite having better performance in the year leading up the meeting. Cai et al. (2020) find that firms which provide only a notice as opposed to full proxy materials are larger, poorly performing and more likely to restate their earnings. These firms also experience poor subsequent stock performance and receive greater support at director elections. Cai et al. (2023) examine the impact of online voting on major corporate proposals in China and find online voting leads to both higher shareholder participation and increased shareholder dissent.

2.3. Hypothesis development

In terms of predicting which firms adopt SOH voting (i.e., objective two of the study) and whether the choice between SOH and poll voting matters to shareholders (i.e., objective four of the study), we adapt the theoretical framework of Cai et al. (2013) who study the adoption and benefits of majority voting. Due to a heightened awareness of accountability to shareholders, firms which voluntarily adopt poll voting are expected to have better governance characteristics. The governance characteristics examined in this study include board gender diversity, board independence and board size. Whilst prior research documents a positive impact of gender diversity on several firm outcomes (Gul et al., 2011; Levi et al., 2014), the impact of board independence (Adams et al., 2010) and board size are mixed (Yermack, 1996; Vaidya, 2019). In the context of shareholder voting, Cai et al. (2013) find that boards that are larger and have more independent directors make a greater use of majority voting. Based on these findings we make the following prediction:

H1. There is a positive association between the use of poll voting and board gender diversity; board independence and board size;

Large shareholders are able to make their viewpoints known to firm management through direct communication and other means without needing to express their views through voting at the AGM (Apostolides, 2007). As such, greater institutional and board ownership concentration should reduce the need for a firm to learn the opinion of shareholders through using a poll. This leads to Hypothesis 2:

H2. There is a negative association between the use of poll voting and board ownership and the ownership of Top 20 shareholders;

Cai et al. (2013) find that poor performing firms are more likely to adopt majority voting as majority voting should increase board accountability. Given that poll voting is consistent with better governance practices and increases firm accountability we predict the following:

H3a. : There is a negative association between the use of poll voting and firm performance.

In contrast, it is possible that the adoption of poll voting leads to more intense monitoring of management by shareholders who now feel that their vote will make a difference in deciding AGM resolutions. An increase in monitoring by shareholders that have imperfect information may distract managers and lead to negative firm outcomes. As a SOH vote converts the voting outcomes on AGM resolutions to a binary signal, firms that prefer to conceal the level of dissent are expected to prefer a vote by a SOH. As prior research highlights that shareholder dissent increases with poor performance (Cai et al., 2009; Cullinan et al., 2017) these findings suggest that the use of SOH voting will be greater for poorly performing firms and leads to the following hypothesis:

H3b. There is a positive association between the use of poll voting and firm performance.

As the use of poll voting ensures that all proxy votes are considered when determining the outcome of AGM resolutions, it should encourage shareholder participation at the AGM through voting on resolutions. Poll voting should also provide greater confidence for

shareholders voting against resolutions that their vote will be counted in determining the outcome of a resolution. This leads to Hypothesis 3:

H4. There is a positive association between the use of poll voting and shareholder voting participation and shareholder dissent.

The final argument presented by Cai et al. (2013) is the "paper tiger hypothesis" or what Ertimur, et al. (2015, p. 3) refer to as "little more than smoke and mirrors." This argument proposes that given that most AGM resolutions pass with a significant majority and the outcome is unlikely to be changed by the method of voting the use of SOH or poll voting should make no difference to shareholder participation at the AGM. For example, Cai et al. (2013) document that adopting majority voting in the US did not lead to higher voting participation of shareholders. The "paper tiger hypothesis" thus suggests that the adoption of poll voting is a costly solution made simply to appease shareholders and is unlikely to make a difference to shareholder participation at AGMs. This suggests that Hypothesis Four may not be supported.

3. Sample and descriptive statistics

Information on the results of AGM meetings for all ASX listed companies between 2005 and 2021 are obtained by searching ASX announcements in the DatAnalysis Premium database. The AGM results announcements are downloaded and the information on the method of voting, resolution type, voting details and outcome are manually extracted. Financial information is extracted from the Morningstar DatAnalysis database, whilst governance information is obtained from the Connect 4 Boardroom database. From the initial sample of 30,728 AGMs we exclude approximately 8200 firm years that have missing information in the electronic databases needed to estimate our regression models.

To provide evidence on the study's first objective which is the extent of use of SOH and poll voting, Table 1 provides a breakdown of the number of resolutions partitioned by voting method over the sample period.

The results in Table 1 highlight the predominance of SOH voting until the release of the ASX CGPR in 2019. Between 2005 and 2015 SOH voting was used to determine the outcome of over 80 % of resolutions. The use of SOH reached a peak between 2007 and 2009 with over 90 % of resolutions decided by SOH. Only after the implementation of the CGPR does poll voting become paramount, with 97 % and 99 % of resolutions being determined by poll in 2020 and 2021 respectively.[19] The last two columns present details of firms which conduct voting using a SOH but did not disclose the proxy vote numbers to the ASX in breach of Section 251AA of the Corporations Act.

Table 2 provides a breakdown of voting type at the firm level. Firms are classified according to voting types used at the AGM, being either all SOH; all poll or mixed voting. The pattern of voting at the firm level is similar to the resolution level results in Table 1, with over 80 % of firms using only SOH voting at their AGM between 2005 and 2015. It is noticeable that there is a drift towards voting only by poll from 2010 onwards, with the use of SOH declining from 89 % in 2010 to 68 % in 2018 which precedes the introduction of the new ASX guidelines. Once the updated ASX guidelines take effect, the use of only SOH voting decreases markedly to 4 % in 2020 and 2 % in 2021. These findings are consistent with Hypothesis 1.

Descriptive statistics for the main variables included in the regression models examined below are presented in Panel A of Table 3. All variables are defined in Appendix 1. Reinforcing the statistics in Tables 1 and 2, 20.9 % of firm years across the sample period employ all poll voting (*Allpoll*). The average level of dissent across all resolutions is approximately 4.6 % (*Avgdissent*), with dissent on the remuneration report being slightly higher at 5.3 % (*Dissentrem*). Approximately 40 % of total issued shares are voted at AGMs (*Voting%*), which is lower than the statistics in Li and Ang (2022). The difference in results is possibly driven by the difference in sample selection, as Li and Ang (2022) restrict their sample to the top 300 ASX firms. Interestingly, ASX firms generally perform poorly with negative mean and median accounting (*ROA*) and stock performance (*Stock return*). Boards have on average 40 % independent directors (*Boardind%*).

In Panel B of Table 3 we present a comparison of the mean values for each variable partitioned by whether firms use poll or SOH voting. In terms of governance characteristics, we find firms that use poll voting have higher board independence and board gender diversity (*Boardfemale%*), and a larger board size (*Board size*). These findings support Hypothesis One. The descriptive statistics provide partial support for Hypothesis Two as board ownership, but not top 20 (*Top20%*) ownership is greater for firms SOH voting. Turning to firm performance the results indicate that both accounting and share price performance, and dividend payout (*Dividend payout*) are higher for firms using poll voting consistent with Hypothesis 3b. We also find that both shareholder voting participation and voting dissent are higher when poll voting us used providing initial support for Hypothesis Four. Amongst the other findings we also document that larger firms (*Mktcap*) are more likely to vote via polls.

4. Results

4.1. Which firms voluntarily adopt poll voting?

We next move to the provide evidence on objective two of the study which is to determine the financial and governance characteristics which explain the use of poll voting. This evidence also formally tests Hypotheses 1–3. Th conduct this analysis we estimate

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[19] An alternative explanation for the move towards poll voting after 2019 is the difficulty in conducting a SOH vote at an online meeting necessitated by COVID-19 pandemic.

Table 1
Breakdown of method of voting at resolution level.

Year	SOH	%SOH	Poll	Total resolutions	SOH Vote proxies not disclosed	% Proxies not disclosed
2005	3737	88.70 %	476	4213	0	0.00 %
2006	4859	88.73 %	617	5476	59	1.08 %
2007	5900	93.87 %	385	6285	22	0.35 %
2008	5934	94.19 %	366	6300	32	0.51 %
2009	6380	93.55 %	440	6820	46	0.67 %
2010	6543	89.45 %	772	7315	75	1.03 %
2011	5632	83.46 %	1116	6748	246	3.65 %
2012	5789	81.24 %	1337	7126	139	1.95 %
2013	6296	82.92 %	1297	7593	160	2.11 %
2014	6098	82.84 %	1263	7361	179	2.43 %
2015	6198	83.26 %	1246	7444	364	4.89 %
2016	5483	73.14 %	2014	7497	407	5.43 %
2017	5906	71.95 %	2302	8208	441	5.37 %
2018	5625	68.50 %	2587	8212	473	5.76 %
2019	4577	58.46 %	3252	7829	266	3.40 %
2020	234	2.59 %	8791	9025	189	2.09 %
2021	67	1.04 %	6350	6417	0	0.00 %
Total	85,258	71.13 %	34,611	119,869	3098	2.58 %

This table shows a breakdown of the number of resolutions decided at AGMs by show of hands (SOH) or poll voting.

Table 2
Breakdown of resolution voting type at firm level.

Year	All SOH	%All SOH	All Poll	%All Poll	Mixed	% Mixed	Total
2005	768	89.30 %	21	2.44 %	71	8.26 %	860
2006	970	88.99 %	32	2.94 %	88	8.07 %	1090
2007	1169	95.12 %	32	2.60 %	28	2.28 %	1229
2008	1287	95.05 %	38	2.81 %	29	2.14 %	1354
2009	1359	94.77 %	44	3.07 %	31	2.16 %	1434
2010	1311	89.18 %	62	4.22 %	97	6.60 %	1470
2011	1159	83.62 %	78	5.63 %	149	10.75 %	1386
2012	1135	82.07 %	121	8.75 %	127	9.18 %	1383
2013	1225	83.28 %	136	9.25 %	110	7.48 %	1471
2014	1139	83.44 %	147	10.77 %	79	5.79 %	1365
2015	1148	83.13 %	202	14.63 %	31	2.24 %	1381
2016	968	71.76 %	300	22.24 %	81	6.00 %	1349
2017	1044	70.88 %	330	22.40 %	99	6.72 %	1473
2018	1021	68.11 %	379	25.28 %	99	6.60 %	1499
2019	754	56.73 %	506	38.07 %	69	5.19 %	1329
2020	53	3.84 %	1276	92.53 %	50	3.63 %	1379
2021	18	1.77 %	992	97.54 %	7	0.69 %	1017
Total	16,528	73.56 %	4696	20.90 %	1.245	5.54 %	22,469

This table shows a breakdown of the number of firms deciding resolutions by using only show of hands (SOH), only poll voting or mixed voting.

the following regression model at the firm level:

$$Allpoll = \alpha + \beta 1 ROA + \beta 2 Stockreturn + \beta 3 Divpayout + \beta 4 BoardSize + \beta 5 BoardInd\% + \beta 6 BoardOwn\% + \beta 7 BoardFemale\%$$
$$+ \beta 8 Top20\% + \beta 9 MktCap + \beta 10 Avgdissent + IndustryFE + Year\ FE + \varepsilon$$

(1)

The dependent variable (*Allpoll*) is an indicator variable which identifies firms that use poll voting to determine the outcome of all resolutions at their AGM. To test Hypothesis One the independent variables, include the percentage of independent directors (*BoardInd %*); board size (*BoardSize*) and the percentage of directors that are female (*BoardFemale%*). We include the ownership of the board (*BoardOwn%*) and top 20 shareholders (*Top20%*) to test Hypothesis Two. Hypothesis Three is examined using both return on assets (*ROA*) and stock return (*Stockreturn*) in the year preceding the AGM as measures of performance. The other control variables included in regression model (1) are: market capitalisation (*MktCap*), dividend payout (*DivPayout*) and average dissent across all AGM resolutions (*Avgdissent*). It is possible to calculate average dissent even when a vote is conducted using a SOH, using the proxy votes cast prior to the meeting which must be disclosed to the ASX. The inclusion of this variable in the regression is important as under the Corporations Act a greater level of shareholder dissent is more likely to require the chair of the AGM to conduct a poll vote to ensure a correct voting outcome is recorded. All variables other than average dissent are calculated for the financial year prior to the AGM. The regression also includes industry and year fixed effects with industry defined using two-digit GICS codes. Standard errors are clustered

Table 3

Descriptive statistics for variables included in the regression models.

Variables	No. obs	Mean	SD	P25	Median	P75
Allpoll	22,469	0.209	0.407	0.000	0.000	0.000
Avgdissent	22,469	0.046	0.069	0.000	0.003	0.017
Dissentrem	22,469	0.053	0.091	0.000	0.002	0.014
Voting%	21,138	0.399	0.216	0.000	0.227	0.383
Voting%rem	21,138	0.369	0.223	0.000	0.188	0.342
ROA	22,469	−0.275	0.647	−3.330	−0.302	−0.058
Stock return	22,469	−0.055	0.719	−2.220	−0.405	0.000
Dividend payout	22,469	0.087	8.900	−1.170	0.000	0.000
Board size	22,469	3.280	2.810	0.000	0.000	3.000
Boardind%	22,469	0.400	0.479	0.000	0.000	0.000
Boardown%	22,469	0.027	0.066	0.000	0.000	0.001
Boardfemale%	22,469	0.076	0.233	0.000	0.000	0.000
Top20%	22,469	0.393	0.345	0.000	0.000	0.459
Mktcap	22,469	17.300	3.160	0.000	15.900	17.200

Panel B: Mean differences between firms using all poll and all show of hands voting.			
VARIABLES	AllSOH	AllPoll	DIFF
	(1)	(2)	(2–1)
Avgdissent	0.038	0.068	0.030***
Dissentrem	0.044	0.078	0.033***
Voting%	0.379	0.463	0.084***
Voting%rem	0.354	0.416	0.062***
ROA	−0.308	−0.169	0.139***
Stock return	−0.081	0.039	0.120***
Dividend payout	0.025	0.322	0.298**
Board size	2.985	4.383	1.398***
Boardind%	0.363	0.534	0.171***
Boardown%	0.027	0.025	−0.002**
Boardfemale%	0.050	0.173	0.122***
Top20%	0.379	0.443	0.064***
Mltcap	16.880	18.648	1.768***

Panel A: All variables are defined in Appendix 1

Panel B: Columns (1) and (2) respectively present the mean values for each variable for firms using all show of hands and all poll voting respectively. The final column presents t-statistics testing for significant differences between the mean for firms using poll and SOH voting. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

by firm and year. The regression is estimated using only observations from 2004 to 2018 during which poll voting was not recommended by the ASX. All continuous variables are winsorised at the top and bottom 1 %.

The findings are presented in Table 4. In column (1) the results are presented using logit, whilst column (2) shows the findings using a linear probability model (i.e., OLS).

We find partial support for Hypothesis One as there is a positive and significant association between the use of poll voting and board size and board gender diversity. The result for board gender diversity is consistent with studies that indicate gender diversity improves firm governance (Adams and Ferreira, 2009). We also document that firms with larger boards have a significantly greater use of poll voting. However, there is no significant association between board independence and voting method choice. Turning to Hypothesis Two the evidence is consistent with predictions. We firstly find evidence that shareholder concentration influences the use of poll voting, with a negative relationship between poll voting and the ownership of the top 20 shareholders. This result potentially represents management being aware of the viewpoint of large shareholders prior to the AGM reducing the need for a poll vote. Firms with greater board ownership are also less likely to use poll voting, which is likely due to the lower influence of non-management shareholders in determining resolution outcome in these firms.

The influence of firm performance on the voting method (Hypothesis Three) is mixed. Supporting Hypothesis 3a the findings indicate that firms with lower stock performance are more likely to use poll voting at their AGM. This result is potentially explained by shareholders at firms with poor performance placing higher value upon increased monitoring and better governance practices and insisting that votes are conducted via a poll. Interestingly, the opposite finding is obtained (column 2) when return on assets is used as the performance measure with better performing firms more likely to adopt poll voting. The results on the control variables indicate that larger firms are significantly more likely to employ all poll voting which suggests that larger firms employ better governance practices. As expected, we document in Table 4 that a higher level of dissent significantly increases the likelihood that AGM resolutions are decided using a poll vote rather that a SOH. This indicates that that the AGM chair employs a poll vote to ensure the correct outcome is recorded on resolutions when there are more dissent votes.

In Table 5 we re-estimate model (1) to examine the determinants of firms using a poll vote to determine the outcome of the vote on their remuneration report resolution. As described earlier (Section 2.1.1), since 2011 Australian firms have been required to conduct an annual shareholder vote on the remuneration report with firms receiving a "strike" if they receive greater than 25 % against votes on

Table 4
Determinants of a firm using all poll voting at AGM at firm level.

VARIABLES	(1) Logit	(2) OLS
ROA	0.049	0.009**
	(0.76)	(2.45)
StockReturn	−0.184***	−0.009***
	(−4.20)	(−3.50)
DivPayout	0.160***	0.001***
	(2.62)	(29.52)
BoardSize	0.083***	0.010***
	(4.34)	(6.00)
BoardInd%	−0.009	−0.004
	(−0.13)	(−0.74)
BoardOwn%	−1.707***	−0.180***
	(−3.00)	(−5.24)
BoardFemale%	0.785***	0.127***
	(8.61)	(10.11)
Top20%	−0.257***	−0.030***
	(−2.68)	(−3.55)
MktCap	0.301***	0.017***
	(7.85)	(8.41)
Avgdissent	5.991***	0.600***
	(17.35)	(14.56)
Constant	−9.999***	−0.137***
	(−14.28)	(−4.01)
Year FE	Y	Y
Industry FE	Y	Y
Observations	22,469	22,469
Adj/Pseudo R^2	0.515	0.516

Robust t/z statistics in parentheses *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors are clustered by firm and year. Variables are defined in Appendix 1.

Table 5
Determinants of a firm using a poll vote at the AGM to determine the outcome of the remuneration report resolution.

VARIABLES	(1) Logit	(2) OLS
ROA	0.051	0.009**
	(0.80)	(1.97)
StockReturn	−0.155***	−0.011***
	(−3.33)	(−2.65)
DivPayout	0.746*	0.001***
	(1.72)	(28.97)
BoardSize	0.079***	0.014***
	(4.07)	(6.33)
BoardInd%	−0.029	−0.007
	(−0.41)	(−0.84)
BoardOwn%	−1.890***	−0.231***
	(−3.19)	(−4.71)
BoardFemale%	0.847***	0.133***
	(8.93)	(9.14)
Top20%	−0.248**	−0.038***
	(−2.46)	(−3.34)
MktCap	0.273***	0.022***
	(7.07)	(7.98)
Avgdissent	5.893***	0.730***
	(15.25)	(13.56)
Constant	−7.562***	−0.132***
	(−8.56)	(−2.87)
Year FE	Y	Y
Industry FE	Y	Y
Observations	13,670	13,670
Adj/Pseudo R^2	0.468	0.497

Robust t/z statistics in parentheses *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors are clustered by firm and year. Variables are defined in Appendix 1.

the resolution. Prior anecdotal evidence suggests that some firms may have employed a SOH vote to pass their remuneration report resolution, when proxies cast before the meeting suggested the firm would receive a "strike" (Durkin, 2015).

The findings in Table 5 are consistent with those reported based on the entire sample and for all resolutions in Table 4. Firms that employ a poll vote on their remuneration report resolutions have greater board gender diversity and a larger board. Such firms also have lower stock returns in the prior year a lower ownership of the board and top 20 shareholders. Larger firms are also more likely to employ a poll vote on their remuneration report resolution.

Table 6
SOH votes disclosed as passed when proxy against is ≥50 %.

Panel: A Year	Number of total Resolutions (proxy against is ≥ 50 %)
2005	9
2006	3
2007	4
2008	7
2009	19
2010	12
2011	6
2012	4
2013	0
2014	2
2015	1
2016	0
2017	0
2018	5
2019	0
2020	0
2021	0
Total	72

Panel B: Type of resolution	Total	%
Issue of options to a director	13	18
Director election	25	35
Approve remuneration report	18	25
Increase directors' fees	4	6
Amend constitution	1	1
Approval placement	9	13
Other	2	2
	72	

Panel C: VARIABLES	N	Mean Inappropriate SOH	N	Mean Other	t-test
Dissent	72	0.689	21,131	0.044	4.76***
Sharesvoted%	72	0.245	21,131	0.400	−3.58***
Stock return	72	−0.155	21,131	−0.076	−1.92*
ROA	72	−0.243	21,131	−0.174	−0.09
Dividend payout	72	0.004	21,131	0.012	−5.52***
Board size	72	2.780	21,131	3.684	−5.64***
Boardind%	72	0.294	21,131	0.457	−1.80*
Boardown%	72	0.007	21,131	0.029	−2.75***
Boardfemale%	72	0.013	21,131	0.054	−6.73***
Top20%	72	0.157	21,131	0.641	−8.03***
Leverage	72	0.344	21,131	0.305	0.06
BTM	72	0.594	21,131	0.798	−1.97*
Mktcap	72	17.18	21,131	17.66	−0.69

*** p < 0.01, ** p < 0.05, * p < 0.1. Variables are defined in Appendix 1. Comparison across firm characteristics for firms passing resolutions inappropriately using a SOH.

4.2. Are SOH votes used to inappropriately pass resolutions that would otherwise fail?

A criticism of SOH voting is that in breach of the Corporations Act firms have resorted to using this voting method to pass resolutions when proxy votes lodged prior to the meeting suggest the resolution would fail (Durkin, 2015). To assess the merits of this criticism and provide evidence on the third objective of this study, we identify the number of resolutions that are disclosed in the AGM results notice as passed using a SOH vote, despite having proxy dissent levels of greater than or equal to 50 %. These results are presented in Panel A of Table 6.

The results in Table 6 suggest that 72 resolutions during the sample period are passed using a SOH when proxies indicate the resolutions would fail. Whilst this occurrence is extremely rare and represents only 0.06 % of the sample of resolutions, the results are consistent with some firms taking advantage of SOH voting to inappropriately pass resolutions. This result is supportive of the prohibition on the use of SOH from 2022 passed by the Australian Government. It is notable that following the issuance of the ASX CPGR in 2019 there have been no firms that have passed a resolution with more than 50 % proxy votes against. This finding can be taken to indicate the success of the ASX governance recommendations at discontinuing the use of SOH voting.

Panel B of Table 6 provides details of the types of resolutions which are potentially inappropriately passed by a SOH. Concerningly, this illustrates that director elections (35 %), the approval of the remuneration report (25 %) and the issue of options to directors are most highly represented. To provide some evidence on the characteristics of firms that inappropriately pass resolutions, in Panel C of Table 6 we provide a univariate comparison across variables of firms with and without inappropriately passed resolutions. The results indicate that firms with dubious AGM voting by SOH have lower stock returns and lower top 20 shareholder and board ownership. These firms also have fewer independent directors and lower board gender diversity. It is notable that the percentage of shares voted by proxy prior to the meeting for resolutions which appear inappropriately passed is lower than for other resolutions. This suggest that a shareholder(s) physically present at the meeting may have had sufficient voting power to carry the resolution on a poll, so we are unable to be definitive as to whether the resolution would have failed had a poll been called.

Since 2011 Australian firms have been required to hold an annual non-binding vote on the remuneration report and receive a "strike" if shareholder dissent is greater than or equal to 25 %. In Table 7 Panel A we present the number of resolutions that were passed using a SOH vote despite the level of shareholder dissent gauged using proxy votes being 25 % or higher. Over the period of analysis, we find 71 remuneration report resolutions which were passed despite shareholder against votes indicating the resolution may have received a "strike." The percentage of resolutions which were inappropriately passed is at its highest in the first three years after the introduction of the two-strikes rule in 2011. Similar to the findings in Table 6 following the introduction of the ASX CGPR in 2019, there are no instances of a possible inappropriate use of SOH voting to pass the remuneration report resolution.

Table 7
SOH votes on remuneration report disclosed as passed when proxy against is $\geq$25 %.

Panel A: Year	Passed proxy against above 25 %	Total res	%
2011	11	1762	0.62 %
2012	16	1740	0.69 %
2013	12	1749	0.80 %
2014	7	1717	0.41 %
2015	9	1772	0.51 %
2016	1	1772	0.06 %
2017	4	1833	0.22 %
2018	4	1854	0.22 %
2019	7	1792	0.39 %
2020	0	1637	0.00 %
2021	0	1749	0.00 %
Total	71	19,377	0.37 %

Panel B: VARIABLES	N	Mean Inappropriate SOH	N	Mean Other	t-test
Dissent	71	0.355	11,361	0.0610	19.16***
Sharesvoted%	71	0.342	11,366	0.363	−0.57
Stock return	71	−0.438	11,366	−0.0682	−4.09***
ROA	71	−0.292	11,366	−0.221	−1.11
Dividend payout	71	0.004	11,319	0.00922	−3.05***
Board size	71	2.420	11,366	3.209	−2.42**
Boardind%	71	0.220	11,366	0.395	−3.04***
Boardown%	71	0.0256	11,366	0.0221	0.54
Boardfemale%	71	0.0500	11,366	0.0586	−0.40
Top20%	71	0.416	11,366	0.432	−0.34
Leverage	71	0.316	11,364	0.317	−0.02
BTM	71	1.099	11,319	0.828	3.40***
Mktcap	71	16.49	11,319	17.55	−4.75***

Comparison across firm characteristics for remuneration resolutions passed inappropriately using a SOH.

Panel B of Table 7 present a univariate comparison of firm characteristics respectively for firms which appear to inappropriately pass their remuneration report resolution using a SOH vote relative to other firms. We document that smaller firms, those with worse share performance and a lower dividend payout are more likely to have inappropriately passed the remuneration report resolution using a SOH. Firms with less independent and smaller boards and those with a higher book-to-market ratio are also more likely to dubiously pass the remuneration resolution. Interestingly, there is no difference in the percentage of proxy votes lodged prior to the AGM between the two groups of firms.

4.3. Does voluntarily using all poll votes make a difference to shareholders?

In our next analysis we focus on the fourth objective of the study and test Hypothesis Four examining whether the type of voting method makes a difference to shareholders' voting participation at the AGM or whether they vote against a resolution. One of the concerns with the use of SOH voting is that shareholders may feel that their vote, particularly a dissenting vote, is likely to be discarded if a SOH vote is used instead of a poll. We therefore examine if the use of poll voting in the prior year leads to greater shareholder engagement with the subsequent AGM. Shareholder AGM engagement is measured alternatively using the proportion of dissenting votes or the proportion of issued shares voted at the AGM (Cai et al., 2023). In summary, objective four of the study is tested using the following regression model:

$$\begin{aligned} \text{Votingoutcome} = \alpha &+ \beta 1\text{Allpollprioryear} + \beta 2\text{ROA} + \beta 3\text{Stockreturn} + \beta 4\text{Divpayout} + \beta 5\text{BoardSize} + \beta 6\text{BoardInd\%} \\ &+ \beta 7\text{BoardOwn\%} + \beta 8\text{BoardFemale\%} + \beta 9\text{Top20\%} + \beta 10\text{MktCap} + \text{IndustryFE} + \text{Year FE} + \varepsilon \end{aligned} \tag{2}$$

The main independent variable is an indicator variable coded as one if a firm uses all poll voting in the prior year (*Allpollprioryear*). We expect shareholders to form the expectation that if a firm uses poll voting in the previous year that this voting method is likely to be retained at the next AGM. The voting outcomes that are used alternatively as the dependent variable are: average shareholder dissent across all AGM resolutions (*AvgDissent*); dissent on the remuneration report resolution (*Dissentrem*); shareholder voting percentage calculated as the sum of shares voted on each resolution as a percentage of issues shares, averaged across all resolutions at the AGM (*Voting%*); and the percentage of shares voted on the remuneration report (*Voting%rem*). The results of the regression are reported in Table 8 using firm years between 2004 and 2018 prior to the recommendation against SOH voting by the ASX (Australian Securities Exchange, 2019).

The findings in columns (1) and (2) show that using all poll voting is associated with significantly higher average dissent and dissent on the remuneration report in the subsequent year. This evidence is consistent with shareholders being more likely to vote against resolutions when they feel their voice will be heard when determining resolution outcomes. Amongst the control variables we find that higher share returns, and a greater dividend payout are associated with lower dissent. Dissent is also lower for firms with greater ownership by the top 20 shareholders. In contrast, large firms and higher board independence and accounting performance are associated with greater shareholder dissent.

Columns (3) and (4) report the effect of all poll voting on shareholder participation at the subsequent AGM in terms of percentage of votes cast. We find that all poll voting is associated with greater shareholder voting participation in terms of average proxies cast across all resolutions and also voting on the remuneration report. These findings are suggestive of all poll voting giving shareholders increased confidence to participate at the subsequent AGM. Across the control variables, we find that shareholder participation increases with accounting performance, firm size and dividend payout, and is higher for firms with gender diverse boards, larger boards, and firms with a greater ownership by the top 20 shareholders. In contrast, higher share returns, and greater board independence are associated with lower shares being voted. In summary, the results are supportive of Hypothesis Four.

We use two methods as an attempt to the address the selection bias associated with the use of all poll voting. First, we employ entropy balancing to address self-selection (Hainmueller, 2012). The variables used to construct the matched sample are all the significant variables included in Table 4 which explain the use of poll voting.[20] After constructing the entropy balanced control sample we re-estimate model (2) on the treatment and control groups. In the interest of brevity, a summary of the results showing only the findings for the main variable of interest are presented in Panel B of Table 8. Consistent with the results in Panel A we document that all poll voting is associated with an increase in shareholder dissent and voting turnout in the subsequent year.

We also employ the Heckman (1979) two-step procedure and include the inverse-mills ratio in the main regression. The exclusion variable included in the first-stage model predicting the use of poll voting is the proportion of firms in a focal firm's industry that use all poll voting in the prior year.[21] Untabulated results indicate that this exclusion variable is positively and significantly associated with a firm's use of poll voting. Summarised results from the second-stage model are presented in Panel C of Table 8 and support the main results.

As an additional test of the impact of all poll voting on voting outcomes we repeat the analysis in Table 8 after replacing the key independent variable with an indicator variable denoting firms which changed from using SOH to all poll voting in the prior year (*Prioryrchangetopoll*). These findings are reported in Table 9. Similar to the findings in Table 8, we document that a change to poll voting leads to higher shareholder dissent and greater shareholder participation at the AGM in the subsequent year. The conclusions from the control variables remain largely consistent with the findings in Table 8.

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[20] The conclusion from the results is unchanged if all variables are used to construct the entropy balanced sample,

[21] Model (1) is used as the base regression for the first-stage model.

Table 8

Impact of all poll voting on voting outcomes at the subsequent AGM.

Panel A: OLS	(1)	(2)	(3)	(4)
VARIABLES	AvgDissent	Dissentrem	Voting%	Voting%rem
Allpollprioryr	0.016***	0.017***	0.044***	0.054***
	(6.01)	(5.06)	(5.80)	(6.93)
ROA	0.003***	0.003**	0.032***	0.027***
	(3.49)	(2.11)	(9.61)	(8.27)
StockReturn	−0.008***	−0.010***	−0.006***	−0.007***
	(−9.81)	(−10.54)	(−2.89)	(−3.19)
DivPayout	−0.000***	−0.000***	0.000***	0.000***
	(−8.82)	(−9.31)	(19.93)	(22.69)
BoardSize	−0.000	0.000	0.006***	0.005***
	(−1.03)	(0.36)	(5.45)	(4.62)
BoardInd%	0.006***	0.007***	−0.033***	−0.024***
	(4.31)	(3.73)	(−7.44)	(−5.12)
BoardOwn%	−0.013	−0.013	0.069**	−0.024
	(−1.41)	(−1.08)	(2.35)	(−0.78)
BoardFemale%	−0.004	−0.002	0.025***	0.028***
	(−1.39)	(−0.68)	(3.02)	(3.18)
Top20%	−0.013***	−0.016***	0.108***	0.096***
	(−7.16)	(−6.69)	(15.08)	(13.36)
MktCap	0.001***	0.002***	0.024***	0.024***
	(4.85)	(6.10)	(25.96)	(24.15)
Constant	0.016***	−0.003	−0.154***	−0.135***
	(3.00)	(−0.44)	(−8.21)	(−6.93)
Year FE	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
Observations	18,744	18,744	18,744	18,744
R-squared	0.034	0.037	0.260	0.230
Panel B: Entropy balanced	(1)	(2)	(3)	(4)
	AvgDissent	Dissentrem	Voting%	Voting%rem
Allpollprioryr	0.015***	0.015***	0.034***	0.046***
	(5.36)	(4.19)	(3.92)	(5.00)
Controls	Y	Y	Y	Y
Observations	18,744	18,744	18,744	18,744
R-squared	0.038	0.036	0.321	0.299
Panel C: Heckman two-stage	(1)	(2)	(3)	(4)
	AvgDissent	Dissentrem	Voting%	Voting%rem
Allpollprioryr	0.017***	0.018***	0.033***	0.040***
	(5.89)	(5.01)	(4.29)	(5.00)
Imr	−0.029	−0.021	0.313***	0.419***
	(−1.20)	(−0.66)	(3.58)	(4.85)
Controls	Y	Y	Y	Y
Observations	18,744	18,744	18,744	18,744
R-squared	0.034	0.037	0.261	0.233

Robust standard errors in parentheses *** p < 0.01, ** p < 0.05, * p < 0.1. V Standard errors are clustered by firm and year. Variables are defined in Appendix 1.

Once again, we address self-selection using both the entropy balancing and Heckman two-stage approach and presents the result for the main variable of interest respectively in Panels B and C of Table 9.[22] The findings using both approaches suggest that the move to all poll voting empowers shareholders to increase participation at the AGM by being more likely to cast a vote on meeting resolutions. The results also confirm that the average level of shareholder dissent increases with a move away from SOH voting.

4.4. Additional testing

4.4.1. Withdrawn resolutions and voting method

Prior US evidence indicates that one response from a firm faced with the possibility of a resolution failing is to withdraw the resolution prior to the meeting (Listokin, 2008; Bach and Metzger, 2019). The option however, to use a SOH vote provides the firm with the possibility of inappropriately passing a resolution despite a high level of shareholder dissent if the shareholders physically

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[22] The construction of the entropy balanced control group and first stage Heckman model are based on a first-stage model which predicts firms which change to all poll voting.

Table 9

Impact of a change to all poll voting on voting outcomes at the subsequent AGM.

VARIABLES	(1) AvgDissent	(2) Dissentrem	(3) Voting%	(4) Voting%rem
Prioryrchangetopoll	0.018***	0.018***	0.029***	0.034***
	(4.50)	(3.44)	(3.07)	(3.45)
ROA	0.004***	0.003**	0.033***	0.028***
	(3.63)	(2.38)	(9.39)	(7.97)
StockReturn	−0.008***	−0.011***	−0.008***	−0.009***
	(−9.45)	(−10.49)	(−3.66)	(−4.01)
DivPayout	−0.000***	−0.000***	0.000***	0.000***
	(−8.46)	(−9.05)	(19.37)	(22.44)
BoardSize	−0.000	0.000	0.007***	0.006***
	(−0.68)	(0.71)	(6.01)	(5.11)
BoardInd%	0.006***	0.007***	−0.035***	−0.026***
	(3.85)	(3.36)	(−7.39)	(−5.22)
BoardOwn%	−0.017*	−0.016	0.055*	−0.054*
	(−1.70)	(−1.18)	(1.80)	(−1.68)
BoardFemale%	−0.002	−0.001	0.030***	0.035***
	(−0.72)	(−0.19)	(3.39)	(3.64)
Top20%	−0.015***	−0.018***	0.112***	0.098***
	(−7.32)	(−6.84)	(14.67)	(12.76)
MktCap	0.002***	0.003***	0.025***	0.025***
	(5.27)	(6.34)	(23.87)	(22.01)
Constant	0.015**	−0.002	−0.176***	−0.153***
	(2.44)	(−0.20)	(−8.33)	(−6.81)
Year FE	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
Observations	16,194	16,194	16,194	16,194
R-squared	0.030	0.033	0.269	0.236
Panel B: Entropy balanced	(1)	(2)	(3)	(4)
	AvgDissent	Dissentrem	Voting%	Voting%rem
Prioryrchangetopoll	0.018***	0.018***	0.028***	0.032***
	(4.57)	(3.50)	(3.02)	(3.43)
Controls	Y	Y	Y	Y
Observations	16,194	16,194	16,194	16,194
R-squared	0.048	0.045	0.313	0.311
Panel C: Heckman two-stage	(1)	(2)	(3)	(4)
	AvgDissent	Dissentrem	Voting%	Voting%rem
Prioryrchangetopoll	0.018***	0.018***	0.028***	0.033***
	(4.49)	(3.46)	(2.93)	(3.35)
Imr	0.041	−0.105	1.350***	1.033**
	(0.28)	(−0.51)	(2.87)	(2.05)
Controls	Y	Y	Y	Y
Observations	16,194	16,194	16,194	16,194
R-squared	0.030	0.033	0.270	0.236

Robust t-statistics in parentheses *** p < 0.01, ** p < 0.05, * p < 0.1. Standard errors are clustered by firm and year. Variables are defined in Appendix 1.

present support the resolution. Arguably the ASX's recommendation from 2019 against using SOH voting (Australian Securities Exchange, 2019) removed this option. We therefore test if more resolutions are withdrawn prior to the AGM once the 2019 ASX CGPR guidelines are released and take effect. This prediction is tested using the following logit regression model:

$$\begin{aligned} \text{Withdrawn} = {} & \alpha + \beta 1 \text{Dissent\%} + \beta 2 \text{After2018} + \beta 3 \text{Dissent\%xAfter2018} + \beta 4 \text{ROA} + \beta 5 \text{Stockreturn} + \beta 6 \text{Divpayout} \\ & + \beta 7 \text{BoardSize} + \beta 8 \text{BoardInd\%} + \beta 9 \text{BoardOwn\%} + \beta 10 \text{BoardFemale\%} + \beta 11 \text{Top20\%} + \beta 12 \text{MktCap} \\ & + \text{IndustryFE} + \text{Year FE} + \varepsilon \end{aligned} \quad (3)$$

The dependent variable is an indicator variable highlighting resolutions withdrawn prior to the AGM (*Withdrawn*). The key test variables are shareholder dissent on a resolution (*Dissent%*); an indicator variable denoting resolutions after the issue of ASX CPGR in 2019 (*After2018*) and the interaction of these two variables (*Dissent% x After2018*). The other variables are consistent with those in prior regression models. The results are presented respectively in Table 10 using both logit and a linear probability model.

The results in column (1) and (2) exclude the interaction term. As would be expected a higher level of dissent leads to a greater likelihood that a resolution is withdrawn prior to the meeting. Turning to columns (3) and (4) we find an additional positive effect of shareholder dissent on the likelihood of a resolution being withdrawn after 2018 when the ASX CPGR is released. This provides anecdotal evidence that the removal of SOH voting led to firms being more likely to withdraw their resolutions in advance of the AGM. Amongst the control variables we document that a resolution is more likely to be withdrawn when the firm has lower share market returns and a smaller board. Larger firms and those with more independent boards are also more likely to withdraw resolutions.

Table 10
Model predicting if a resolution is withdrawn before the meeting.

	(1) Logit	(2) OLS	(3) Logit	(4) OLS
VARIABLES	Model 1	Model 2	Model 3	Model 4
Dissent%	7.119***	0.086***	6.746***	0.067***
	(32.35)	(15.01)	(24.71)	(11.81)
After2018	–	–	0.817***	−0.000
			(2.69)	(−0.06)
Dissent% x After2018	–	–	1.178***	0.091***
			(2.58)	(5.15)
ROA	−0.027	−0.000	−0.005	−0.000
	(−0.31)	(−1.04)	(−0.05)	(−0.74)
StockReturn	−0.240***	−0.000**	−0.243***	−0.001**
	(−3.40)	(−2.08)	(−3.44)	(−2.18)
DivPayout	−1.747	−0.000	−1.794	−0.000
	(−1.15)	(−0.91)	(−1.16)	(−1.54)
BoardSize	−0.083***	−0.000***	−0.079***	−0.000***
	(−4.30)	(−5.10)	(−4.08)	(−5.25)
BoardInd%	0.345***	0.001**	0.335***	0.001**
	(3.17)	(2.22)	(3.08)	(2.28)
BoardOwn%	0.639	0.003*	0.584	0.003*
	(1.37)	(1.75)	(1.21)	(1.67)
BoardFemale%	0.208	0.001	0.209	0.001
	(1.20)	(1.09)	(1.20)	(0.86)
Top20%	−0.141	0.000	−0.159	0.000
	(−0.98)	(0.42)	(−1.10)	(0.52)
MktCap	0.125***	0.000**	0.118***	0.000*
	(4.39)	(2.00)	(4.10)	(1.82)
Constant	−8.170***	−0.002	−7.994***	−0.001
	(−14.20)	(−1.11)	(−13.82)	(−0.52)
Year FE	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y
Adj/Pseudo R^2	0.141	0.014	0.142	0.017
Observations	131,682	131,682	131,682	131,682

Robust z/t-statistics in parentheses *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Standard errors are clustered by firm and year. Variables are defined in Appendix 1.

5. Conclusions

Until 2022 the Australian institutional environment required AGM resolutions to be decided by a SOH, with the chair of the meeting given discretion to conduct the vote using a poll where necessary to ensure that the will of the majority of shares is reflected in the outcome of the resolution. The use of SOH voting was subject to criticism due to anecdotal evidence and concern regarding possible widespread abuse of the procedure to pass resolutions which should otherwise fail. Moreover, conducting a vote using a voting procedure that ignored both the number of shares owned and the intention of those not at the meeting is poor governance practice.

This study provides the first large sample evidence on the extent, determinants and consequences of firms adopting either SOH or poll voting. The findings in the study indicate that until the ASX released a recommendation for using poll voting in 2019, voting by SOH was the preferred choice for the vast majority of ASX listed firms. Importantly we find evidence consistent with SOH voting being abused by a small minority of firm to pass resolutions against the will of the majority of shares voted. This finding provides support to the Corporations Act prohibition on using SOH voting introduced in 2022 by the Australian government.

Our examination of the determinants of voting method choice suggests that poll voting is more likely to be adopted by larger firms and those with gender diverse boards. Additionally, we find that firms with lower share market returns are more likely to vote using a poll suggesting shareholders seek better governance practices and accountability in under-performing firms. In terms of the consequences of adopting poll voting, we find an increase in both shareholder dissent votes and voting participation at the AGM after a firm moves away from using SOH voting. These results highlight that shareholders are more likely to participate in expressing their voice on company affairs when they have more certainty that their voice will be heard, and their vote counted by the company. As greater shareholder engagement at AGMs has been a goal of the Australian Government (CASAC (Companies and Securities Advisory Committee), 2000; CAMAC (Corporations and Markets Advisory Committee), 2012), these findings are supportive of the 2019 ASX CGPR recommendation for discontinuing SOH voting and the subsequent prohibition on the use of SOH in the 2022 amendment to the Corporations Act.

The findings in this study are subject to several limitations. Firstly, whilst we have attempted to address self-selection there remains a possibility that the findings examining the consequences of voting method type on shareholder participation are driven by unobserved factors associated with the choice of voting method. Secondly, without being physically present at the meeting, it is not possible to observe the shareholders that attended the AGM and the level of ownership they held. Our results are likely to be of interest overseas regulators that currently use SOH voting such as New Zealand and the UK particularly if they are contemplating the prohibition of

AGM voting by a SOH. Whilst we show that the use of SOH is largely not abused by companies, the increase in AGM shareholder participation may justify restricting AGMs to using only poll voting. We leave it to future research to examine other issues associated with SOH voting such as whether voting method choice has career and other consequences for directors, particularly when it appears a resolution has been inappropriately passed. Future research can also examine other issues associated with the conduct of Australian AGMs which are of interest to Australian regulators. These issues include the influence of how the method of lodging votes (e.g., online vs post) influences shareholder AGM participation and whether the location of the AGM matters to shareholder participation. Subsequent research can also examine issues associated with shareholder sponsored resolutions including those associated with activism on climate change and the impact of the COVID-19 pandemic on the conduct and participation of shareholders at Australian AGMs.

CRediT authorship contribution statement

Martin Bugeja: Data curation, Formal analysis, Funding acquisition, Writing – original draft, Writing – review & editing. **Raymond da Silva Rosa:** Conceptualization, Data curation, Investigation, Methodology, Writing – original draft, Writing – review & editing. **Yaowen Shan:** Conceptualization, Data curation, Formal analysis, Methodology, Project administration, Writing – original draft, Writing – review & editing. **David Yermack:** Conceptualization, Funding acquisition, Investigation, Writing – original draft, Writing – review & editing.

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Appendix A. Appendix 1 Definition of variables.

Variable	Definition
Voting Characteristics	
Passed	An indicator variable that equals 1 if a firm discloses a resolution as passed in the announcement of AGM results
VotebySOH	An indicator variable that equals 1 if a firm conducts a vote on a resolution using a SOH vote
Withdrawn	An indicator variable that equals 1 if a resolution is withdrawn prior to an AGM
Dissent%	Dissent on a resolution calculated as Against votes/(For votes + Against votes + Discretionary votes)
After2018	An indicator variable that equals 1 if the resolution was decided at an AGM after 2018
Avgdissent	Average dissent across the resolutions at a company's AGM
Avgdissentprioryr	Average dissent across the resolutions at a company's AGM in the previous financial year
Dissentrem	Dissent on the remuneration report resolution calculated as Against votes/(For votes + Against votes + Discretionary votes)
Allpoll	An indicator variable that equals 1 if a firm conducted all their resolutions at the current year AGM using a poll vote
ChangetoAllpoll	An indicator variable that equals 1 if a firm changed to conducting all their resolutions at the current year AGM using a poll vote
ReturnToSOH	An indicator variable that equals 1 if a firm returns to using SOH after having changed to conducting all their resolutions at the prior year AGM using a poll vote
Allpollprior yr	An indicator variable that equals 1 if a firm conducted all their resolutions at the prior year AGM using a poll vote
Prioryrchangetopoll	An indicator variable that equals 1 if a firm change to conducted all their resolutions at the prior year AGM using a poll vote
Voting%	Average of shares voted across resolutions at an AGM/total issued shares
Sharesvoted%	Shares voted on a specific resolution/total issued shares
Voting%rem	Shares voted on the remuneration report resolution at an AGM/total issued shares
Firm Performance and Characteristics	
ROA	Earnings before interest and tax divided by total assets
Stock return	Annual stock return calculated as (year-end price + dividend per share – beginning year price)/beginning year price
Dividend payout	Dividend divided by share price
Mktcap	The natural logarithm of market capitalisation
Leverage	The ratio of the book value of debt to the book value of assets
BTM	The ratio of the book value of equity to the market value of equity
Governance Characteristics	
Board size	Number of directors on the board at financial year end
Boardind%	The percentage of the board classified as independent by Connect 4 Boardroom database
Boardown%	The percentage of issued shares owned by the board of directors
Boardfemale%	The percentage of the board of directors that are female
Top20%	The percentage of issued shares owned by the top 20 shareholders

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