The Madness of Crowds - Proxy Voting

Perspectives: May 23rd, 2022

JSE listed industrial equipment business **Hudaco** recently experienced a bizarre proxy voting outcome. In short, they put forward a proxy to amend their Memorandum of Incorporation to correct a legacy matter that involves the mandatory retirement and re-election of its *executive* directors. Standard global best practice is for this to only apply to *non-executive* directors. [*I apologise if you have an ice-cream headache after reading those last two sentences. Feel free to take a moment to recover.*]

Hudaco is an exceptional business, with exceptional people and an exceptional long-term record. They comprehensively explained the rationale for this proxy, and they are clearly trying to do the right thing. This vote should have passed in a landslide. Alas, it was voted down.

We investigated this, and it turns out a global proxy consultancy recommended voting against this proxy, and then it follows logically that a number of Hudaco's shareholders must have implemented said proxy consultant's recommendation without any further ado.

This would be comical if not for the fact that the annual general meeting and its related proxy voting process is a vital component of the successful long-term operation of any business. These proxy outcomes have real world consequences, which is why publicly listed businesses spend an inordinate amount of time, energy, and money to engage shareholders throughout the year. For a perfectly rational and credible proxy to be voted down in this manner is a sad waste of precious resources.

At Perspective we are acting on this in our usual under-the-radar manner - by raising awareness within our networks, including our industry associations and peers, and by remaining true to our existing approach - to independently perform and back our own homework and thinking, and to cast our votes as long-term owners responsibly in the interest of pragmatic and rational long-term business governance.

Our work continues...

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