

Commonwealth Bank

Commonwealth Bank of Australia
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Group Corporate Affairs
Government, Industry and International Affairs

Dr Kathleen Dermody
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600



20 January 2015

Dear Dr Dermody

Thank you for the opportunity to make a submission to the Senate Standing Committee on Economics in relation to its review of the Corporations Legislation Amendment (Deregulatory and Other Measures) Bill 2014 (the Bill).

The vision of the Commonwealth Bank Group (the Group) is to excel at securing and enhancing the financial wellbeing of people, businesses and communities while valuing integrity, accountability and collaboration. Legislative changes that reflect these values and improve corporate governance and shareholder representation are supported.

The Group welcomes the Bill's focus on sensible deregulation and removal of unnecessary burdens on both companies and shareholders. In particular the Group welcomes the proposed amendments outlined in Schedule 1 of the Bill in relation to section 249D of the *Corporations Act 2001*. The Group agrees with the statement by the Parliamentary Secretary to the Minister for Finance that these changes "*strike a better balance between the interests of minority shareholders and shareholders as a whole*"¹.

Currently section 249D of the *Corporations Act 2001* allows a group of 100 shareholders who are entitled to vote at a general meeting to request that directors call and arrange a general meeting. For many companies, 100 shareholders represent a very small percentage of their total shareholder base.

The Group has almost 800,000 individual shareholders, meaning 100 shareholders represent less than 0.013 percent of individual shareholders. The costs associated with arranging a general meeting of CBA shareholders, which under the present law may have to be incurred should as little as 0.013 percent of the total shareholders of the Group request it, are considerable having regard to the size of the Group's shareholder base.

¹ M McCormack (Parliamentary Secretary to the Minister for Finance), 'Second reading speech: Corporations Legislation Amendment (Deregulatory and Other Measures) Bill 2014', House of Representatives, *Debates*, 22 October 2014, p. 11673, accessed 12 January 2015.

The *Corporations Act 2001* currently requires the directors of a company to call and arrange a general meeting if shareholders with at least 5 percent of the votes request it. This rule is unchanged by this Bill and in the Group's view this is an appropriate mechanism for shareholders to request that a general meeting be held. Basing the decision on a minimum volume of shares rather than a small number of individual shareholders provides a more accurate reflection of the interests of shareholders overall.

In the event that a group of shareholders cannot manage to attract support from 5 percent of the total shareholder votes for a general meeting to vote on their proposal, then it is unlikely that the proposal will be passed at the proposed meeting. In the Group's view the amendments proposed by the Bill would avoid the unnecessary impost on companies and shareholders of holding a special meeting to vote on one proposal that is unlikely to pass. This is particularly the case where parties use the mechanism to give profile to issues of marginal relevance to the broader shareholder base.

Under the *Corporations Act 2001* as amended by the Bill, 100 shareholders would retain the ability to be able to put a resolution on the agenda for a company's general meeting and to have material circulated to other shareholders.

As stated in the Explanatory Memorandum to the Bill, the proposed changes would better balance the rights of shareholders to raise issues with the company and the costs to companies of being required to call and hold an extraordinary general meeting.

The Bill represents sensible policy measures which bring Australian Corporations Law into line with international counterparts including New Zealand and Canada. Other measures in the Bill such as the clarification on timings of the end of financial years and enabling members of the Takeovers Panel to fulfil their obligations while overseas are supported by the Group as sensible clarifications.

Should you require further information please contact Steven Macmillan, Executive Manager Government Industry and International Affairs

Yours sincerely,

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