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Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Submitted via online upload facility

Submission On Corporations Legislation Amendment (Deregulatory And Other Measures) Bill 2014 by The Australia Institute

Dear Dr Kathleen Dermody,

The Australian Institute welcomes the opportunity to provide a submission to the above Inquiry. We have reviewed each of the proposed amendments of the Bill and would like to address two areas of concern:

- The proposed removal of section 249D(1) of the Corporations Act, which addresses the right of 100 or fewer shareholders to call an extraordinary general meeting (EGM).

- The proposed change of section 300A(2), which would remove remuneration reporting from unlisted disclosing entities.

Amendment to subsection 249D(1)

The Australia Institute opposes the repeal of the rule permitting 100 members to call an EGM. Proponents of its removal argue that the rule has *potential* for abuse, and that the rights of 100 members can still be utilised through subsection 249N(1)(b) - placing a resolution on the agenda of the AGM - and 249P(1)(b) - distribution of statements related to this agenda item to members at the cost of the company. They further suggest that resolutions put forward at an EGM are unlikely to be adopted, while shareholders with five per cent of the votes will still be able to call an EGM.

The abuse of subsection 249D(1) is overstated, as the rule does not have a significant history of being abused. The removal of the rule would result in a reduction in shareholder rights, which form an essential element of corporate governance. Regardless of the retention of the above-mentioned 100 member provisions, removal of subsection 249D(1) limits corporate accountability to the owners of the company. In addition, it would be an obstacle to civil society, which increasingly plays an important role using shareholder activism in pursuit of socially responsibly corporate behaviour.

If this subsection is nonetheless amended in the proposed fashion, other steps should be taken to increase accountability to shareholders. Requirements for putting motions at AGMs are currently more restrictive than they are in similar developed countries. This should be reviewed.

Amendment to subsection 300A(2)

The Australia Institute opposes the removal of remuneration reporting by unlisted disclosing entities in subsection 300A(2). Just as shareholders in listed companies, shareholders in unlisted disclosing entities require information on remuneration in order to make informed decisions.

Moreover, mandatory disclosure should not impose a significant cost on the unlisted entities. It is therefore unclear why such a requirement that holds for listed entities should not also hold for unlisted entities. Publicly listed companies may own some unlisted disclosing entities. The proposed change would allow listed companies to hide remunerations through unlisted companies, which is not in the interests of their shareholders or the market.

For the sake of transparency and accountability, and to protect the interests of shareholders, the remuneration requirements of unlisted disclosing entities should be maintained.

Yours Sincerely,

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