



OWNERSHIP MATTERS

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20 January 2015

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

Email: economics.sen@aph.gov.au

RE: Submission on 'Corporations Legislation Amendments (Deregulatory and Other Measures) Bill'

Dear Senate Committee,

Thank you for the opportunity to comment on the exposure draft for this Bill. Ownership Matters (OM), formed in 2011, is an Australian owned governance advisory firm serving institutional investors. The opinions contained in this submission are those of OM and not those of its clients. This submission responds only to those proposed amendments where OM considers its views are relevant, namely those relating to proposed changes to thresholds for shareholders to convene general meetings and changes to remuneration report disclosure requirements.

In relation to the specifics of the proposed legislation:

- **Meeting convened by members:** OM supports the removal of the ability of 100 shareholders to convene a general meeting and supports the proposed retention of the right of 100 shareholders to put a resolution to a meeting of members already convened by management such as an annual meeting (s. 249N(1)(b)). We also support the retention of the right of shareholders holding 5% of shares to convene a general meeting. This strikes an appropriate balance between preserving the rights of shareholders with minimising meetings called by shareholders who collectively may hold a tiny proportion of shares on issue.
- Any savings from the proposed amendment are however likely to be minimal given few listed companies have been required to convene such a meeting at the request of 100 shareholders. Among S&P/ASX 300 companies, for example, no meeting has been convened at the request of 100 shareholders in at least the past five years.
- It is also noteworthy that the concern shown by management of listed companies over the costs imposed on shareholders collectively of general meetings convened by a small group of shareholders is not matched by a similar concern at imposing the costs of a general meeting convened by *management* on shareholders - for example, to approve incentives for directors. These management convened meetings often occur in circumstances where the costs of the meeting appear just as questionable as the costs incurred with convening a general meeting called by a small minority of shareholders. Recent examples include a general meeting

convened shortly after the annual meeting to approve equity incentives for an executive director appointed four months prior to the AGM.

- **Remuneration report:** OM supports the proposed replacement of s. 300A(1)(e)(iv) with a requirement to disclose the number – rather than value – of options that lapsed during a financial year and the year in which those options were granted. This is because it will aid shareholders in determining the actual remuneration received and forfeited by members of key management personnel during a financial year.
- OM also supports the proposed removal of the requirement to specify the proportion of remuneration of members of key management personnel consisting of options (s. 300A(1)(e)(vi)). The current provision does not provide meaningful information to shareholders.

Please feel free to contact us concerning any aspect of our submission.

Yours sincerely,

Dean Paatsch & Martin Lawrence

Ownership Matters Pty Ltd