



**CHARTERED SECRETARIES  
AUSTRALIA**

*Leaders in governance*

22 March 2005

Mr M Rawstron  
General Manager  
Corporations & Financial Services Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Mr Rawstron

***Proposed amendments to ss 249D and 249N of the Corporations Act requesting a special general meeting and placing resolutions on the agenda at company meetings***

The signatory bodies to this submission are all deeply involved in the promotion of good corporate governance and increased shareholder participation in Australia.

- We endorse and welcome the proposal in the Corporations Amendment Bill (No 2) 2005 for removing the 100-member rule in section 249D of the *Corporations Act* for calling a special general meeting and maintaining the requirement for five per cent of the votes that may be cast at the general meeting. The proposal to maintain this simple five per cent rule does not have the complications of tiered solutions recommended in the past, such as the square root rule.

Requiring five per cent of total voting shares to requisition a special general meeting is a reasonable balance of the rights of shareholders to have matters addressed with the importance of allowing directors to effectively run the company and is in line with overseas practice. This is a long overdue amendment and we welcome its introduction.

It is noted that the proposed amendments are expressed to apply only to companies and not to managed investment schemes which have since 1998 been subject to the same requirements under section 252B of the *Corporations Act*. The 100-member rule should also be removed from this section.

- We do, however, have concerns about the proposed lowering of the threshold from 100 to 20 for the number of members needed to add a resolution to the agenda of an annual general meeting. We believe that the reduction of the threshold could see a range of minor, irrelevant, vested issues being included on the agendas of general meetings, which would only serve to make AGMs larger and longer, to the detriment of members and companies.

Granting the capacity to 20 members from special interest groups to weigh down the agenda of an AGM with issues that are of no interest to the majority of members is not an effective means of providing for minority shareholders 'to examine the affairs of the company and its members'. Throughout the debate on the 100-member rule to call meetings we have recognised that if an issue is supported by 100 members it is an issue

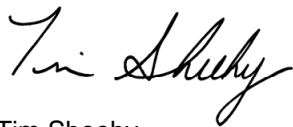
that rightly deserves to be discussed at an AGM. If it focuses the attention of only 20 members, its relevance to the greater number of members is far less certain. Similarly the same issues arise in the context of managed investment scheme meetings.

We recognise and support the government's comment that 'some avenues for shareholder participation can impose significant costs on companies. The need to encourage shareholder participation must be balanced against the need to manage the associated costs to the company (and through it other shareholders)'. Costs are not only financial, but also relate to time.

We believe that the proposed amendment to section 249D achieves the stated aim of the government to encourage valuable debate within the company, but suggest that the proposed amendment to section 249N does not achieve this aim. Likewise, these comments apply equally to managed investments scheme proceedings.

To further this matter, one of the undersigned will contact you shortly to arrange a meeting between yourself and us.

Yours sincerely



Tim Sheehy  
Chartered Secretaries Australia



Ralph Evans  
Australian Institute of Company Directors



Richard Gilbert  
Investment & Financial Services Association



Stuart Wilson  
Australian Shareholders' Association



Brian Salter  
Securities Institute of Australia



Ian Matheson  
Australasian Investor Relations Association



Katie Lahey  
Business Council of Australia



Tim Mitchell  
Australian Employee Ownership  
Association

cc The Honourable Chris Pearce MP  
Senator Penny Wong  
Senator Grant Chapman, Chair, Parliamentary Joint Committee on Corporations and Financial  
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