

**THE ROLE OF SHAREHOLDERS' MEETINGS IN
IMPROVING CORPORATE GOVERNANCE**

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EXECUTIVE SUMMARY

Introduction

- Despite the amount of recent attention that has been given to issues of corporate governance and accountability there has been no systematic, empirically informed assessment of whether general meetings can be forums for simultaneously improving corporate governance in listed public companies.
- The annual general meeting of a public company is the only regular, legally prescribed occasion on which shareholders in a listed public company have the opportunity for direct contact with the directors of the company. Australian corporate law presumes that general meetings are forums in which company members come together to make decisions about significant aspects of corporate operations. In practice, however, company general meetings are often routine and procedural affairs.
- The purpose of this study was to gather systematic information about the assumptions and factors that influence the operation and outcomes of general meetings in Australian public companies.

The Study

- The study was based on questionnaire responses from 217 Australian listed companies (from a sample of 473 companies - a 45.9% response rate); interviews with company officers from 21 companies; interviews with organisations representing shareholders, directors, and other company officers; a review of 33 company constitutions; and a review of 94 company websites.

Key Findings

Rates of attendance at AGM by shareholders

- In 99% of AGMs shareholders attending in person represented no more than 10% of all shareholders.
- In 99% of AGMs, shareholders participating by proxy represented no more than 20% of all shareholders.
- In 98% of AGMs, shareholders attending in person or participating by proxy represented no more than 20% of all shareholders in the company.

Shares represented at AGM:

- In 87% of AGMs shareholders attending in person by held half or less of the issued shares in the company.
- In 63% of AGMs shareholders participating by held half or less of the issued shares in the company.

Shareholders in person v shareholders by proxy

- In 99% of AGMs shareholders attending in person constituted half or less of all shareholders participating.
- In 99% of AGMs shareholders participating by proxy constituted more than half of all shareholders participating.
- In 88% of AGMs more than half of proxy-givers directed the proxy-holder on how to vote.

Shares in person v shares by proxy

- In 85% of AGMs shareholders attending in person held half or less of the shares represented at the meeting.
- In 84% of AGMs shareholders participating by proxy held more than half of the shares represented at the meeting.

Other factors

- Over 90% of AGMs were also attended by the company's external auditor.
- In 72% of AGMs the chair of the meeting held more than 50% of the proxy shares.

Business and conduct of the AGM

- The most common agenda items were the election/re-election of directors, and the presentation of the financial and related reports. No AGMs considered the removal of directors or the external auditor.
- Resolutions were most likely to be determined on a show of hands, with 89% of companies reporting that a poll was not required for any item on the agenda.
- The average length of the AGM was 1hr 15min. 80% of meetings ended in under 2 hours.
- The median cost of the AGM was \$15,000. In 82% of companies the cost of the AGM was less than \$50,000.

Extraordinary General Meetings

- There were 203 EGMs held in the four year period covered by this study. None of these were requested by shareholders.

Recommendations and Conclusion

- The holding of an AGM is perceived to be an important component in the overall processes of corporate governance in listed public companies.
- The Corporations Act should continue to require listed public companies to hold annual general meetings. Further, this requirement should be based on the idea of a physical meeting of the shareholders.
- The Corporations Act should require that in a listed public company the auditor or their representative must attend the AGM.
- No change should be made to the current criteria (in s 249D) for the requisitioning of a general meeting by members, until and unless there is clear evidence of its abuse by shareholders on a wider basis.

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