

CHAPTER ONE

The Inquiry

Background

1.1 An exposure draft of the Corporations Amendment Bill (No. 2) 2005 was released on the Treasury website on 7 February 2005, along with an exposure draft explanatory memorandum. Treasury called for written comments on the exposure draft by 1 April 2005.

1.2 The bill proposes a number of changes to corporate governance and shareholder participation arrangements for corporations governed by the *Corporations Act 2001*. A number of the proposed changes arise from previous reports of this Committee (and its predecessors), and from reports of the Corporations and Markets Advisory Committee (CAMAC).

1.3 In particular, the bill proposes to:

- Remove the "100 member rule" for requisitioning extraordinary general meetings;
- Reduce to 20 the threshold for listing a resolution at an annual general meeting;
- Reduce to 20 the threshold for requesting distribution of a member's statement;
- Prevent the "cherry-picking" of proxy votes;
- Remove legislative requirements relating to the disclosure of proxy votes; and
- Remove the requirement to disclose information disclosed in overseas markets.

Adoption of reference

1.4 At a private meeting on 16 February 2005, the Committee agreed to the following terms of reference for this inquiry.

The Committee will consider:

- (a) the need for the proposed amendments;
- (b) the impact of the proposed amendments on corporate governance;
- (c) the impact on shareholder participation of the bill, including proposed amendments to the '100-member rule';
- (d) the impact of the proposed amendments to rules for proxy voting;
- (e) possible alternative approaches; and
- (f) any related matter.

1.5 The Committee agreed to a closing date for submissions of 8 April 2005, in order to allow submitters to provide, to this Committee, modified versions of the submissions made to Treasury. A list of the submissions received appears at **Appendix 1**.

1.6 The Committee held one hearing on this reference, in Canberra, on 28 April 2005. Witnesses who appeared before the Committee at that hearing are listed at **Appendix 2**. Copies of the Hansard transcript are tabled for the information of the Senate and the House of Representatives. They are also available through the internet at www.aph.gov.au/hansard.