Australian Shareholders' Association

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Dear Kevin

Standardised disclosure of retail participation in capital raisings

The Australian Shareholders' Association (ASA) represents its members to promote and safeguard their interests in the Australian equity capital markets. The ASA is an independent not-for-profit organisation funded by and operating in the interests of its members, primarily individual and retail investors, self-managed superannuation fund (SMSF) trustees and investors generally seeking ASA's representation and support. ASA also represents those investors and shareholders who are not members, but follow the ASA through various means, as our relevance extends to the broader investor community.

ASA wrote to ASX on 4 December setting out our proposals for reform of the ASX Listing Rules to provide for standardised disclosure of proxy and direct voting results at general meetings of listed companies. This letter sets out a further proposal for reform of the Listing Rules, one that is also predicated on maximising shareholder information and engagement through data releases of the number of shareholders participating in capital raisings, including trading renounceable rights.

ASA's proposal for reform is aimed at ensuring transparency as to the exercise of a key shareholder right.

Background to reform proposal

ASA has long been concerned that capital raisings provide new equity at discounted prices to large shareholders, leaving individual retail shareholdings, and retail shareholdings in aggregate, to be diluted. To offset this tendency, we strongly support pro rata renounceable capital raisings and PAITREO structures.

Retail shareholders provide a stabilising effect on the share register; however, the investment circumstances and time available to review various capital raisings vary. At any given time, a number of retail shareholders will not be able to participate in a raising, either due to not having the time available, or the funds. We encourage companies to undertake any capital raising with this in mind. A PAITREO will allow a large proportion of funds to be raised in a speedy manner, while allowing the balance to be raised to a more retail-friendly timetable.

Disclosure of retail shareholder participation in capital raisings

We encourage companies to disclose retail participation in capital raisings as a means of supporting greater engagement of and participation by shareholders. An example of the disclosure being sought is demonstrated by the Transurban ASX announcement "*Close of Retail Entitlement*

Offer" released 29 January 2018 and available via this link:
https://www.asx.com.au/asxpdf/20180129/pdf/43r3l1mpb2t8dw.pdf

Woodside made a similarly detailed disclosure about retail rights trading and participation rates after its recent PAITREO on 12 March 2018:
https://www.asx.com.au/asxpdf/20180312/pdf/43scb6chzlj72k.pdf

In addition to this becoming standard practice, we also would like to see companies be required to disclose how many shareholders participated in an share purchase plan, as Argo has now done on eight occasions over the past decade. See 2016 example here:
https://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01788106

On the question of shareholder approval of placement capacity resolutions, it would be useful if issuers were required to say how many new shares could be issued over the subsequent 12 months if the resolution was approved. For example, see p27 of the 2017 Macquarie Group notice of meeting: https://www.asx.com.au/asxpdf/20170615/pdf/43jymz1s80wsmj.pdf

If there was such a listing rule requirement, it would require Macquarie to add additional commentary along the lines of: "If this resolution is approved, Macquarie Group will have the capacity to place 51 million new ordinary shares over the subsequent 12 month period without seeking further shareholder approval."

It would also be worthwhile ASX considering requiring companies to spell out the maximum issuance of shares possible under a share purchase plan, being 30% of issued capital.

ASA has rarely seen companies do this, although an example was provided by Mincor last year when its SPP documentation outlined that the maximum issuance was 56,666,528 shares raising $18.13 million. See p2 of the offer document for how this was presented:
https://www.asx.com.au/asxpdf/20171218/pdf/43q82t5vplq0dj.pdf

Conclusion

ASA is seeking reform of the ASX Listing Rules to provide for standardised disclosure of retail participation in capital raisings. Companies should maximise shareholder information and engagement through data releases of the number of shareholders participating in capital raisings, including trading renounceable rights.

ASA's proposals for reform are aimed at increasing retail shareholders' familiarity with and confidence in investment options and corporate actions, as well as supporting retail shareholder participation in capital raising and stabilising company share registers.

Should you have any queries, please do not hesitate to contact me.

Kind regards

Judith Fox
Chief Executive Office