

STEPHEN MAYNE



## Bring on the AGM season

**WITH** the 2001 annual general meeting season coming up in October and November, shareholders will again have their best opportunity to apply some pressure on companies which need to lift their ethical standards.

I adopted a new tactic last year of nominating for boards as a means of drawing attention to issues and forcing companies to change their practices. The goal was not to be successful but to be an agent of change.

The result ranged from a woeful 0.4 per cent of the vote at Westfield Holdings to 58 per cent at Woolworths where then chairman John Dahlsen had to use undirected proxies to stop me getting elected.

The companies involved in last year's board challenges were AGL, AMP, ASX, Commonwealth Bank, David Jones, National Australia Bank, NRMA, Telstra, West Australian Newspapers and Westfield Holdings.

Each challenge had a specific issue but recurring themes were opposition to cash for comment (NRMA and Commonwealth Bank) and calls for a more activist approach from institutional fund managers (NAB, AMP).

If NRMA have re-signed with John Laws I will stand again and new companies on the hit list this year include media companies News Corporation, John Fairfax and Southern Cross Broadcasting.

It is interesting that some of the companies with dreadful corporate governance records - News Corp, Westfield, PBL spring to mind - have some of the best financial performance.

But that is not an excuse for poor corporate governance because the likes of One.Tel and HIH also had dreadful corporate governance ratings as measured by Corporate Governance International.

Just because Westfield Holdings shares have performed well over the years doesn't mean that they should pay 7 per cent of net profit to billionaire executive chairman Frank Lowy as salary and have a board full of Frank's mates.

The contrast with the Packers is that PBL does not pay either Kerry or James one dollar in salary. But PBL has a range of other ethical issues that swirl around it. They are big political donors,

are in sin industries such as gambling and soft-porn publishing and have barely any genuinely independent directors as executives and Packer mates dominate.

PBL, News Corp and the Seven Network all need strong independent directors because there is the issue of private empires of their controlling shareholders making investments that could go to the public company. Kerry Stokes has loaded a number of personally-owned assets such as the Perth Entertainment Centre into the Seven Network and Kerry Packer got what was arguably an equally inflated price when he sold Ticketek into ecorp.

The biggest challenge at the upcoming AGM season will be logistics because more than 1000 companies hold their AGMs in the space of eight weeks - an average of 25 a day. Commonwealth Bank CEO David Murray once told me that if annoying shareholders kept badgering boards Australian companies might adopt the Japanese approach of all holding their AGMs on the same day to avoid harassment from the Yakuza.

The other thing we'll be doing during this upcoming AGM season is putting pressure on directors who have performed poorly or who have major skeletons in their closet but keep getting re-elected to board sinecures.

Earlier this year I argued strongly that former HIH director Justin Gardiner should not continue on the Austar and Hutchison Telecommunications Australia boards in light of the multi-billion dollar insurance collapse.

Stan Howard has now largely bowed out of his major directorships with only Hills Motorway and Cumnock Coal left. In light of what happened to GIO, Arthur Yates and National Textiles, some would argue the Prime Minister's brother should not be serving on any more public company boards.

The same goes for acting Pacific Dunlop CEO Tony Daniels. He's been a director of three shocking performers in Pasminco, Orica and Pacific Dunlop. The rule that should apply is three strikes and you're out.✿

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