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Investors rattle the boardroom cages

Tim Boreham

Extraordinary meetings

FED up with real (or perceived) poor board performances, investors are gunning to remove directors from an unprecedented number of small- and mid-cap stocks.

Traditionally, fund managers and professional investors have tried to resolve differences behind the scenes.

But judging from the number of extraordinary general meetings (EGMs) called, the softly-softly approach is no longer working.

Any investor with a voting holding of 5 per cent or more has the right to requisition an EGM.

Alternatively, disaffected parties can do so by garnering at least 100 signatures.

Last week, speed-camera operator Redflex became the latest company in the spotlight as Pratt Group's Thorney Holdings and two other fund managers called for the replacement of three Redflex directors, including

chairman Chris Cooper.

Traffic Technologies, which makes red lights and other road equipment, is under siege from disaffected former joint chief executive Con Scrinis, who has used his 13 per cent voting stake to requisition the removal of three directors, including chairman (and Toll Holdings chairman) Ray Horsburgh.

Listed investment company van Eyk Three Pillars faces a boardroom putsch from Daryl Dixon's Dixon Advisory, which wants to install four directors and seek holder approval for an extended share buyback.

At mortgage financier RHG (previously known as RAMS), director and former Allco principal David Coe has been targeted by 12 shareholders who allege the board is "not functioning in a manner befitting a \$170 million publicly listed company".

Although such EGMs are expensive to hold (typical cost of

\$100,000 is borne by the company), corporate governance advisers believe the trend is a healthy manifestation of corporate democracy.

RiskMetrics director Dean Paatsch said the proxy-fight culture was non-existent among the bigger companies, in which two or three institutions might hold 20 per cent of the register but don't seek board representation.

"At the small end there's a different culture of active ownership because there's a more direct relationship," he said.

"The only reason to be mindful is when these things are used as a palimpsest for other agendas such as taking control of a boardroom without paying a premium.

"You hear talk of vexatious litigants but there's no evidence of capitalism grinding to a halt."

Regnan Governance Research and Engagement managing director Erik Mather attributes the

trend to the global financial crisis, which has spurred investors into demanding better governance and board renewal.

"The investor would have to be one of the most tolerant animals on the planet in terms of putting up with things before they act," he said.

"The fact we are seeing a few EGMs can only be good."

Mather said board tensions should exist "on certain issues". "If they're not, directors are just rubber stamping and it would be a disaster for share owners if that was the case," he said.

However, rather like Australian voters, investors have proved more willing to back the incumbents than the opposition. Recent EGM challenges against the boards of soda-ash producer Penrice Soda Holdings, nickel explorer Heron Resources and internet minnow Deep Blue Sea were all comfortably defeated.



Under siege: Ray Horsburgh



Targeted: David Coe