

THE SHAREHOLDER RIGHTS AND ACTIVISM REVIEW - EDITION 4 - AUSTRALIA

25 October 2019 | Australia

Legal Briefings - By **Quentin Digby and Timothy Stutt**

OVERVIEW

The past 18 months have seen an intense, and growing, focus on corporate culture and accountability in Australia, which has in turn driven increasing activism at listed Australian companies, particularly in the financial services sector. As opposed to hedge fund activism focused on extracting economic gains, or retail shareholder activism focused on environmental, social and governance (ESG) issues, a lot of the recent developments in shareholder activism in Australia have been driven by large, erstwhile 'passive', institutional investors manifesting their displeasure at a perceived lack of accountability within their portfolio companies.

In large part, this focus on corporate culture and accountability has been driven by systemic failings in risk management and compliance, which were highlighted by the recent Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Financial Services Royal Commission). The Financial Services Royal Commission, which was conducted through public hearings, generated significant media attention and captured the attention of the Australian investment community and the community at large. Particular criticism related to how Australian financial services companies manage non-financial risk and the lack of responsiveness of some companies' remuneration systems to poor risk outcomes or corporate culture.

While Australia's banks remain very profitable and among the most prudentially sound financial institutions globally, external stakeholders ranging from regulators and the government through to institutional investors expressed concern at the apparent failings in oversight and the lack of attention to retail customer interests. This has been a significant contributing factor to three of the four major Australian banks receiving large protest votes against the adoption of their remuneration reports and has coloured much of the continuing public dialogue around governance, corporate accountability and stakeholder expectations over the past year.

[Read the full article](#)

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The articles were first published in September 2019

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