

31 January 2025

Hon Stephen Jones MP
Assistant Treasurer
Pre-Budget Submissions
Treasury
Langton Cres
Parkes ACT

Submitted: Online via PreBudgetSubmissions@treasury.gov.au

Australian Shareholders' Association – Pre-Budget submission 2025-26

Dear Assistant Treasurer,

This year, the Australian Shareholders' Association (ASA) celebrates 65 years of advocating for retail shareholders and promoting good governance in Australia. As the largest not-for-profit association of its kind, ASA continues to champion the interests and rights of more than seven million retail shareholders, providing essential educational resources, expert webinars, and a supportive investor community while promoting good governance.

Our submission is informed by our current policy priorities and company monitoring focus issues. ASA's company monitoring initiative aims to ensure that retail shareholders' needs are addressed by company boards and executives, serving as a conduit between companies and shareholders and holding directors and executives accountable for their actions. Each year, ASA's dedicated volunteer company monitors attend, vote, and ask questions on behalf of individual shareholders at more than 200 company meetings.

This governance oversight plays an important role in strengthening investor and superannuation account holders' confidence in Australia's financial markets and superannuation system, reinforcing the principles of transparency, accountability, and long-term value creation.

Current ASA Policy Priorities:

Balancing Risk and Opportunity in Accessible Exchange-Traded Investments: We advocate for an appropriately regulated market that protects investors while not limiting their access to suitable investment options in line with their risk tolerance and financial literacy. We value effective oversight of financial market infrastructure and the appropriate definition for wholesale and sophisticated investors and what investments are available to retail shareholders and which are only available to wholesale and sophisticated investors.

Improving Governance of Companies: We promote practices within company boardrooms that lead to better decision-making and more informed shareholders. This includes the

phased implementation of the International Sustainability Standards, improving shareholder engagement at AGMs, and the availability of better information for shareholders to determine votes on directors for shareholder election.

Sustainable Retirement Incomes and Superannuation: We call for well-considered, consistent and stable policy frameworks that support investment for retirement, which would appear counter-productive to the long-term aim of the superannuation system. Ad hoc changes reduce superannuation participants' confidence in their ability to save and fund their retirement. We urge bipartisan support for sensible retirement incomes policy initiatives and potentially a holistic review.

Quality of and Access to Financial Advice: We support policies that ensure the provision of high-quality financial advice at a fair and appropriate fee while effectively mitigating conflicts of interest.

Current ASA ASX-listed Company Monitoring Focus Issues:

Fair Treatment of Shareholders: We expect retail shareholders to receive fair and equitable treatment in all capital raisings. Companies should respect shareholder preferences for postal or electronic distribution of communications. Shareholder meetings should be held in a hybrid format, enabling physical and online participation. Virtual-only meetings are inadequate. Retail shareholders should be invited to analyst market briefings, and these should be recorded and made available on the company website.

Building Better Oversight - Directors and Boards: Boards should comprise directors with diverse skills required to fulfill the company's strategic plan. The required skills and each director's suitably accredited skills should be communicated in a board skills matrix in the company's Annual Report. The matrix should facilitate shareholders' decisions on voting for a director's election or re-election.

Driving Sustainable Practices and Improving ESG Strategy: We expect companies to disclose the sustainability, and ESG strategy information shareholders require to make investment decisions. We expect companies to be on track to meet the imminent climate disclosure requirements relevant to their size and scale.

Advocating for Transparent and Appropriate Remuneration: A company's remuneration report should be transparent and understandable for retail investors, demonstrating a logical relationship between rewards, financial performance and corporate governance.

Specific Recommendations for the 2025-26 Federal Budget:

Support for Retail Shareholders: We recommend the Government consider measures to support retail shareholders, including policies that enhance market transparency and investor confidence and trust. We consider the opportunity to engage with companies at their hybrid AGMs (combining face-to-face and online meeting) is the only opportunity for shareholders to hold the board to account for their oversight of the business, its decisions and what is communicated to shareholders. As such, policy attention should focus on ensuring hybrid AGMs remain accessible, effective, and inclusive, enabling retail shareholders to directly engage with directors and executives, regardless of their location.

Support for retirement incomes: Frequent ad hoc changes to superannuation policy undermine confidence among participants, particularly those with average balances and variable incomes who are striving to build their savings in preparation for retirement. For individuals to defer spending and commit funds to long-term retirement investments, they

must have trust in both the superannuation system and the stability of financial and real assets. Defining the objective of superannuation was a positive first step, but a comprehensive, systemic review is now needed to ensure the system is sustainable, equitable, and capable of delivering long-term financial security for all Australians.

We consider the Division 296 Tax is an ad hoc change. The proposal to impose a 15% tax on unrealised profits for superannuation balances over \$3 million, is a poorly designed measure that erodes trust in the superannuation system and makes it harder for participants to plan for retirement with confidence. While those with extremely high balances may have the flexibility to restructure their financial affairs to reduce the tax impact, the lack of indexation of the threshold value of \$3 million means that, over time, a much broader group of Australians will be captured by this policy due to inflation and asset appreciation.

In addition to this structural flaw, the tax creates several unfair and unintended consequences:

- No refund for taxes paid on the high-water mark – If asset prices spike at the end of a financial year and later decline, investors will still be taxed on the inflated valuation without a mechanism for correction.
- Liquidity pressures and forced asset sales – Investors holding market-traded assets will need to maintain liquidity to meet tax obligations, leading to a shift away from diversified, long-term portfolios.
- Increased volatility and poorer risk-adjusted returns – As participants adjust their investment strategies to manage tax liabilities, the result will be greater volatility and potentially weaker long-term financial outcomes.

Rather than implementing short-term revenue-raising measures that undermine confidence in the superannuation system, the Government should focus on policy and regulatory stability, together with long-term sustainability, to ensure Australians can invest for retirement with certainty.

Government funding request for Independent Financial Literacy Program:

ASA seeks \$500,000 in government funding over three years to develop and implement a nationwide, independent financial literacy program, including:

- Content development (\$200,000): Creating unbiased educational materials, including guides, reports, and interactive learning tools tailored for investors at distinct experience levels.
- Digital learning library (\$150,000): Developing an accessible online hub featuring courses, videos, webinars, and interactive resources on financial concepts, corporate governance, risk management, and long-term investing.
- Community outreach & workshops (\$100,000): Hosting nationwide investor education workshops and seminars to engage individuals in practical financial literacy training.
- Program management & research (\$50,000): Ensuring high-quality program delivery, tracking impact, and refining content based on participant feedback and evolving investor needs.

Part of this funding will be used to update and expand ASA's successful [W-Invest program](#), which has already helped many Australian women invest with confidence. Expanding this initiative will broaden its reach to more investors, ensuring that diverse groups—especially those new to investing—have the resources they need to make sound financial decisions.

Through the provision of independent financial literacy education across all investor levels and for financially vulnerable members of the community, we can empower more people to make informed and confident decisions. An ASA independent Financial Literacy Program will lead to stronger retirement outcomes, more resilient financial markets, and enhanced economic stability for all Australians.

We appreciate your consideration of this submission and look forward to collaborating with the government to support retail shareholders. Please feel free to contact me, ceo@asa.asn.au, or Fiona Balzer, Policy & Advocacy Manager, policy@asa.asn.au with any questions or for further discussion.

Yours sincerely

Rachel Waterhouse
Chief Executive Officer
Australian Shareholders' Association