IFM Investors

Protecting shareholder rights

IFM Investors response to the public consultation and exposure draft of Listing Rule amendments

Shareholder approval of dilutive acquisitions and changes in admission status

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Executive Summary

IFM Investors thanks ASX for its considered response to the October 2025 consultation and for the opportunity to comment on the exposure draft. We are pleased that ASX has listened to market concerns and is proposing targeted reforms that strengthen shareholder approval rights where transactions may cause significant dilution or an enduring change in the protections associated with an ASX listing.

The direction of the reforms is strongly aligned with the principles in IFM Investors' initial submission: proportionality, investor protection, clear and predictable rules, and preserving issuers' capacity to execute legitimate transactions. We particularly welcome:

- a shareholder approval requirement before an entity changes from an ASX Primary Listing to an ASX Foreign Exempt Listing;
- clearer, rule-based approval and disclosure requirements for voluntary delistings;
- a 25% default dilution cap for S&P/ASX 300 entities in regulated takeovers and mergers; and
- the decision not to introduce a broad approval requirement for significant changes to the nature or scale of an entity's activities.

These are meaningful improvements. In our view, however, there is an opportunity to align the final rules more closely with ASX's stated objective of providing clear, predictable and proportionate protections in high impact scenarios. Our principal recommendations are targeted and fall into three areas: strengthening approval rights for enduring structural changes; ensuring proportionate dilution safeguards across the market; and providing clear implementation and timing settings:

<u>Strengthen approval rights for enduring structural changes</u>

- Require approval at a 75% threshold for a change from a Primary ASX Listing to an ASX Foreign Exempt Listing.
- Require approval at a 75% threshold for voluntary delisting where the entity was first listed on the ASX, and do not allow the proposed less than 25% Australian ownership pathway to displace that approval right.

<u>Ensure proportionate dilution safeguards across the market</u>

- Replace the current takeover and merger issuance exceptions with clear thresholds requiring shareholder approval where securities issued in connection with a regulated takeover or merger equal or exceed 25% of issued capital for S&P/ASX 300 entities and 50% for entities outside the S&P/ASX 300.
- Do not permit entities to increase these thresholds through a standing mandate or constitutional provision that is not linked to a specific transaction. Where an issuance would exceed the applicable threshold, the entity should seek shareholder approval for that transaction.
- Apply the framework consistently to Australian and foreign regulated transactions and do not permit transaction specific waivers.

<u>Provide clear implementation and timing settings</u>

- Commence the amendments on 1 January 2027 to provide a reasonable implementation period following finalisation of the rules.
- Do not standardise all post-approval issuance periods to 12 months. Retain the existing differentiated periods and require securities to be issued as soon as practicable, but no later than the applicable period.

Overall position: IFM Investors welcomes the direction of the reforms but considers that they do not yet provide proportionate shareholder protections in several high impact scenarios. The targeted amendments recommended in this submission would address those gaps while preserving appropriate transaction flexibility.

Introduction

IFM Investors is a global asset manager founded and owned by pension funds. Our purpose is to invest, protect and grow the long-term retirement savings of working people. As a long-term investor in Australian listed companies, we have a strong interest in market settings that protect shareholder rights, support efficient capital formation and sustain confidence in the integrity of Australia's public markets.

We welcome ASX's thoughtful response to the submissions received and its effort to balance shareholder protection and market integrity, transaction certainty and execution, and the international competitiveness and attractiveness of the ASX. We also welcome ASX's preference for targeted reforms, objective thresholds and clear, administrable rules rather than case by case discretion.

Our December 2025 submission, *Protecting shareholder rights*, was guided by two principles: proportionality and investor protection. It supported shareholder approval for significant changes in admission status and voluntary delisting; recommended replacing the current takeover and merger issuance exceptions with clear limits of 25% for S&P/ASX 300 entities and 50% for entities outside that index; opposed transaction specific waivers; and did not support a broad approval requirement for significant changes to the nature or scale of an entity's activities.

There is substantial alignment between that position and ASX's revised proposals. The remaining differences are concentrated in a small number of settings that may materially weaken the intended protection: the approval threshold for structural changes, the scope of the delisting exemption, the retention of a 100% limit outside the S&P/ASX 300, and the ability to increase the 25% cap through a standing mandate or constitutional amendment.

In each case, we consider that a stronger setting would remain targeted, objective and administrable. It would not prevent an entity from changing its listing status, delisting or pursuing a significant transaction. It would require the company Board to obtain a shareholder mandate where the consequences for shareholder rights are most significant. This is consistent with ASX's stated intention to apply shareholder approval rights consistently in high impact scenarios, while adopting targeted and proportionate changes rather than broader structural reforms.

Summary of alignment and recommended refinements

Issue	Alignment with ASX proposal	IFM Investors recommended refinement
Change to ASX Foreign Exempt Listing	Support a new shareholder approval requirement for a change to ASX Foreign Exempt Listing status.	Require approval by Special resolution (75% approval) because the change is structural and enduring.
Voluntary delisting	Support clear rules, information requirements and no vote for entities first listed overseas where securities remain readily tradeable.	Require 75% approval where ASX was the first listing. Do not allow the <25% Australian ownership test to override that right.
Dilutive regulated transactions	Support the 25% threshold for S&P/ASX 300 entities, the consistent treatment of Australian and foreign regulated transactions, and the removal of transaction specific waivers.	Replace the current takeover and merger issuance exceptions with clear approval thresholds of 25% for S&P/ASX 300 entities and 50% for entities outside the index. Do not permit the thresholds to be increased through transaction agnostic standing mandates or constitutional provisions.

Issue	Alignment with ASX proposal	IFM Investors recommended refinement
Significant changes to the nature or scale of activities	Support ASX's decision not to introduce a broad shareholder approval requirement at this time.	No change recommended.
Implementation and timing	Support timely implementation and clear transitional arrangements.	Commence on 1 January 2027. Do not standardise all post approval issuance periods to 12 months; retain the existing differentiated periods and require issuance as soon as practicable.

Responses to consultation questions

1. Operation and interactions

Are there any interactions with other ASX Listing Rules or Guidance Notes that ASX should address to ensure the amended framework operates clearly, consistently and as intended in practice?

Yes. IFM Investors recommends that ASX address the following interactions and policy settings in the final rules and guidance.

1.1 Change from ASX Listing to ASX Foreign Exempt Listing

We welcome the proposed introduction of a shareholder approval requirement before an entity changes to ASX Foreign Exempt Listing status. Such a change represents a structural and enduring shift in the regulatory framework applying to the entity. This is not a routine capital management or transaction approval; it is a decision to alter the regulatory framework on which investors relied when investing in the entity. This directly aligns with our initial submission, which emphasised that the change reduces the application of ASX listing rules and transfers primary regulatory reliance to the foreign exchange.

We do not consider approval via an Ordinary Resolution to be proportionate to the significance of that change. A 75% approval threshold, via a Special Resolution, would better reflect its enduring effect on governance, disclosure and shareholder protections, and would ensure broad support before the framework on which investors relied is materially altered. The change is uncommon, so the higher threshold should not create a recurring burden or affect the ordinary conduct of business.

We also do not consider that a 75% requirement would materially reduce the attractiveness of ASX as a listing venue. The ability to move later to ASX Foreign Exempt Listing status is unlikely to be a central reason for an issuer's original decision to list in Australia. More importantly, a credible approval right supports confidence in the quality and durability of the ASX regulatory framework.

Recommendation 1: The final framework should require approval by Special Resolution, with at least 75% of votes cast in favour, before an entity changes to ASX Foreign Exempt Listing status.

Our initial submission also identified practical consequences when governance oversight shifts away from ASX. These issues should be addressed in the final framework and supporting guidance. Before shareholders vote, the notice of meeting should clearly explain:

- the ASX Listing Rules and Australian legal requirements that would cease to apply or apply differently;
- the corresponding requirements of the primary foreign exchange;
- the practical implications for proxy voting, including voting channels, notice periods and electronic voting arrangements;
- the effect on remuneration reporting and shareholder voting on executive pay; and
- any other material difference in shareholder rights, remedies, disclosure or governance protections.

Where remuneration reporting and voting rights would no longer be equivalent to Australian requirements, the ASX should consider requiring equivalent disclosure and a non-binding shareholder vote on remuneration for Australian shareholders; or otherwise require the entity to explain why equivalent arrangements will not be maintained.

1.2 Voluntary delisting by a dual-listed entity

We welcome ASX's proposal to place the substantive voluntary delisting requirements in the Listing Rules rather than relying principally on guidance. We also welcome the proposed minimum disclosure requirements, including the reasons for removal, the intended last trading date, the earliest removal date and practical information for shareholders on selling or trading their securities before and after removal.

We agree that an entity first listed on a foreign exchange may be removed without a shareholder vote where its securities will remain readily tradeable on that exchange. Investors in those circumstances would reasonably understand that the foreign exchange and its legal framework are primary.

However, where an entity was first listed on ASX, the approval right should not depend on whether 25% or more of its ordinary securities are held by persons with registered Australian addresses. Investors may have acquired their securities on the expectation that the entity would remain subject to ASX governance and disclosure settings. A later migration of the register offshore does not alter the nature of the original listing or remove the significance of the decision for all shareholders. This is particularly important given that registered address data may not fully reflect beneficial ownership held through custodians or nominees and may therefore be an imperfect basis for removing a shareholder approval right.

The ASX's proposed pathway could therefore allow a first listed on the ASX entity to remove its listing without a vote solely because its Australian registered ownership has fallen below 25%. In our view, that outcome is inconsistent with the rationale for requiring approval where ASX was the first listing and with ASX's stated aim of protecting shareholders from lasting changes in their trading and regulatory environment.

Recommendation 2: For an entity first listed on ASX, require approval by Special Resolution before voluntary delisting, irrespective of whether its securities will remain readily tradeable elsewhere. The less than 25% Australian ownership pathway should not override that approval requirement.

This recommendation refines our initial submission, which stated that an Ordinary resolution may be appropriate where securities remained readily tradeable on another active exchange and governance protections were maintained, while a Special resolution should apply where securities were not readily tradeable elsewhere. Having considered the proposed rule in full, we now consider the first listing test to be the clearer basis for requiring a Special resolution because it protects the expectations established when the entity was admitted to ASX and does not depend on a shareholder register measure that may change over time.

1.3 Dilutive acquisitions and standing shareholder mandates

We welcome ASX's proposed 25% threshold for S&P/ASX 300 entities. This is directly aligned with the threshold recommended in our initial submission and would give shareholders a vote before a regulated transaction materially dilutes their ownership and voting power.

However, the final framework should also provide a proportionate safeguard for entities outside the index. We do not support retaining an effective limit approaching 100% for these entities. We recognise that entities outside the S&P/ASX300 may require greater financing and transaction flexibility; however, an issuance approaching 100% of existing capital is capable of fundamentally altering ownership and voting power and should therefore be subject to an informed shareholder mandate. A 50% threshold would preserve substantial flexibility for smaller entities while ensuring that shareholders have a say before dilution becomes transformative.

We also do not support allowing an entity to increase the applicable threshold through its constitution or an Ordinary resolution lasting up to three years. Shareholders would be asked to authorise a higher dilution limit without knowing the target, price, strategic rationale, financial effects or governance consequences of the transaction for which it may later be used.

Approval to exceed the applicable threshold should instead be sought in relation to a specific transaction, when the transaction and its effects can be disclosed to shareholders. This would provide shareholders with a meaningful and informed vote, rather than an advance mandate that may be used in materially different circumstances.

Recommendation 3: The final framework should require shareholder approval where a proposed issuance in connection with a regulated takeover or merger is 25% or more of issued capital for an S&P/ASX 300 entity, or 50% or more for an entity outside the index. These thresholds should not be capable of being increased through a standing mandate or constitutional provision that is not linked to a specific transaction.

1.4 Jurisdiction neutral treatment and removal of waivers

We support ASX's proposed jurisdiction neutral definition of a regulated takeover or merger and the consistent treatment of Australian and foreign regulated transactions. A clear, objective definition is preferable to a framework that depends on ASX determining transaction by transaction whether a foreign regulatory regime is sufficiently equivalent to the Australian regime.

Our initial submission recommended removing the existing takeover and merger issuance exceptions. It stated that, if the exceptions were retained, they should be limited to Australian law transactions and should not be extended through waivers. ASX's proposed jurisdiction neutral definition and removal of transaction specific waivers provide a clearer and more predictable response to our underlying concern about inconsistent treatment. We therefore welcome the jurisdiction neutral approach, while maintaining that the shareholder approval thresholds outlined above should apply consistently to Australian and foreign regulated transactions, without transaction specific waivers.

Recommendation 4: Apply the shareholder approval thresholds consistently to Australian and foreign regulated transactions and remove transaction specific waivers.

1.5 Significant changes to the nature or scale of activities (Listing Rule 11.1.2)

We support ASX's decision not to introduce a broad shareholder approval requirement for significant changes to the nature or scale of activities under Listing Rule 11.1.2. This is aligned with our initial submission. Material dilution should instead be addressed through clear shareholder approval thresholds for equity issued in connection with regulated takeovers and mergers. Boards should otherwise retain appropriate capacity to make strategic decisions, subject to directors' duties, disclosure obligations and accountability to shareholders.

2. Definitions and drafting clarity

Are the key definitions and concepts used in the draft amendments clear, objective and administrable? If not, are there targeted drafting refinements that would improve clarity without introducing additional complexity?

The ASX proposal generally moves in the right direction by using objective thresholds and rule-based pathways. We recommend the following targeted refinements.

2.1 Material Australian shareholder base

Using registered addresses provides a clear and readily measurable test, but ASX should acknowledge its limitations. It may not capture beneficial ownership through custodians or nominees and may fluctuate around the 25% threshold. Guidance should specify the measurement date, the evidence on which an entity may rely, how holdings through nominees are treated, and whether temporary movements or transactions undertaken in contemplation of removal are disregarded.

More fundamentally, as recommended above, this test should not be available to an entity first listed on ASX. For other entities, ASX should consider requiring the Board of the company to state that it has made reasonable enquiries and is not aware of information indicating that the registered address measure materially understates Australian beneficial ownership.

2.2 Readily able to be traded

The meaning of "readily able to be traded" should be supported by objective factors in the final framework or supporting guidance. These should include whether Australian holders can convert their ASX securities or CDIs, access the foreign market through commonly available brokerage and custody arrangements, settle and hold the securities without unreasonable cost or delay, and trade in a market with adequate operational availability.

The final framework should ensure that formal or technical tradability is not treated as equivalent to practical accessibility. The assessment should reflect whether Australian shareholders can, in practice and without unreasonable cost, delay or administrative burden, trade their securities and exercise the rights attaching to them.

3. Implementation date

Is the proposed commencement date appropriate, and are there any existing practical scenarios that ASX should address expressly through transitional provisions, examples or additional guidance?

We support timely implementation. However, the proposed commencement date of 21 October 2026 would leave a relatively short period after the consultation closes and ASX finalises the rules. Given the potential need for entities, advisers, custodians, proxy advisers and investors to update transaction processes, disclosure templates, voting analysis and operational arrangements, we recommend commencement on 1 January 2027. A 1 January 2027 commencement date would also align with a clean calendar year implementation point, reducing ambiguity for transaction planning, investor stewardship processes and proxy analysis.

Recommendation 5: Commence the amendments on 1 January 2027 and publish final rules and guidance sufficiently in advance to support orderly implementation.

Transitional provisions should clearly address:

- regulated transactions publicly announced before commencement but completed or varied afterwards;
- shareholder approvals obtained before commencement, including the period for which they remain effective;
- requests to change admission category or delist that have been lodged with ASX but not completed at commencement;
- entities that are already ASX Foreign Exempt Listings;
- constitutional provisions or shareholder mandates adopted before commencement; and
- the treatment of a material amendment, extension or increase in consideration after commencement.

A simple guiding principle would be that genuinely committed or approved transactions may proceed under the former settings, while a material amendment after commencement should be assessed under the new framework.

4. Post-approval issuance timing

Should the post-approval issuance period be standardised across approvals to a 12-month period for all approvals under Listing Rules 7.1 and 7.4?

We do not support standardising all post-approval issuance periods under Listing Rules 7.1 and 7.4 to 12 months. The existing differentiated periods should be retained so that the approval remains appropriate to the transaction type and the continuing relevance of the information on which shareholders voted.

Where a 12-month period already applies or is retained for a regulated transaction, the rules should require securities to be issued as soon as practicable after the relevant conditions are satisfied and, in any event, no later than the applicable outer limit. The availability of a longer window should not itself justify delay or allow an approval to be used after the commercial circumstances have materially changed.

Where the terms, purpose, consideration, scale, counterparties or expected dilution materially change after approval, fresh approval should be required rather than relying on the original approval.

Recommendation 6: Do not standardise all post approval issuance periods to 12 months. Retain the existing differentiated periods and require securities to be issued as soon as practicable, but no later than the applicable period.

Conclusion

IFM Investors supports the direction of ASX's reforms and appreciates the careful consideration given to market feedback. The proposals materially improve the current framework by introducing shareholder approval rights for enduring listing status changes, clearer delisting rules and stronger protection against dilution for larger listed entities.

Our recommended refinements are deliberately targeted. They would preserve transaction flexibility and international competitiveness while providing a more meaningful shareholder safeguard when an entity proposes to change the regulatory framework applying to investors, leave the ASX market, or issue equity on a transformative scale.

In particular, approval by Special resolution for structural listing changes, clear shareholder approval thresholds of 25% for S&P/ASX 300 entities and 50% for entities outside the index, and the removal of transaction agnostic standing mandates would better align the final framework with ASX's stated objectives of proportionality, predictability, market integrity and shareholder protection.

We would welcome the opportunity to discuss these matters with ASX.