IFM Investors

Protecting shareholder rights

IFM Investors response to the public consultation on shareholder approval requirements under the ASX listing rules

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Executive Summary

IFM Investors welcomes the ASX's review of the Listing Rules as an important step in strengthening shareholder protections and maintaining market integrity. As a global asset manager entrusted with investing the long-term retirement savings of working people, we believe robust governance standards are essential to sustaining trust and confidence in the Australian market.

Our submission is guided by two principles: proportionality and investor protection. We support measures that enhance transparency and accountability without imposing unnecessary burdens on issuers. In particular:

Shareholder approval for structural changes
We strongly support requiring security holder approval for significant governance shifts such as changes in admission category, voluntary delisting, and major equity issuance, because these decisions materially affect investor rights, liquidity, and confidence in the ASX.

We also believe that given the significant impacts, that a special resolution requiring 75% shareholder support is the most suitable mechanism.

Tiered approach to equity issuance limits
We recommend removing exemptions under Listing Rule 7.2 and introducing clear, proportionate caps on the amount of new equity that can be issued without shareholder approval:

- 25% for ASX300 entities
- 50% for entities outside the ASX300

This approach provides a reasonable allowance for legitimate transactions while introducing safeguards against excessive dilution and loss of accountability.

Practical risk mitigations
Where governance responsibilities shift away from ASX, we propose measures to preserve investor protections and maintain market confidence.

We do not support introducing mandatory shareholder approval for changes to the nature or scale of activities under Listing Rule 11.1.2, as this would be disproportionate and hinder timely execution of strategic decisions. Existing mechanisms, combined with strengthened equity issuance safeguards, provide adequate protection.

Our recommendations aim to uphold the ASX's reputation for fairness and transparency while enabling issuers to operate efficiently. We believe these changes will reinforce market integrity, protect investor rights, and sustain confidence in Australia's capital markets.

Introduction

IFM Investors is a global asset manager, founded and owned by pension funds, with capabilities in infrastructure equity and debt, private equity, private credit, real estate and listed equities. Our purpose is to invest, protect and grow the long-term retirement savings of working people.

With assets under management of approximately A$263.6 billion, including over $51bn in Australian equities (as at 30 September 2025), we serve over 800 institutional investors worldwide. IFM operates from 16 offices across Australia, Europe, North America and Asia.

We welcome ASX's review of the listing rules as an important mechanism for strengthening shareholder protections and maintaining market integrity. We appreciate the ASX's consultative approach in balancing diverse stakeholder views while sustaining a fair and efficient market.

Below, you will find the IFM Investors responses to the consultation questions.

Shareholder approval for change of admission category to ASX Foreign Exempt Listing

1. Should security holder approval be required for a change in admission category from ASX Listing to ASX Foreign Exempt Listing?

A change in admission category from ASX Listing to ASX Foreign Exempt Listing represents a fundamental governance shift that materially reduces ASX oversight and investor protections, transferring reliance to a foreign regulatory regime that Australian shareholders may have limited visibility over. This is not a routine operational matter; it alters the framework under which the company is monitored, reported, and held accountable.

Security holder approval should therefore be required. This safeguard is proportionate given the significance of the decision and the fact that such changes are infrequent, so the requirement does not impose an unreasonable burden on dual-listed companies.

Australian investors purchase securities with the expectation that ASX governance standards, disclosure obligations, and shareholder rights will apply. Removing these protections without consent would undermine trust and confidence in the market. Providing shareholders with the right to vote honours those expectations and reinforces transparency.

We believe that given the potential impact on shareholder rights, liquidity, and market integrity, this decision warrants a special resolution (requiring 75%+ support) to ensure broad investor consensus. This aligns with ASX precedent for decisions of similar magnitude such as constitutional amendments or winding up, which require a special resolution due to their fundamental impact on a company's structure and shareholder rights. Anything less risks enabling boards to dilute governance standards without sufficient investor mandate, eroding protections that underpin long-term shareholder value and weakening confidence in the ASX as a fair and transparent market.

2. Are there any significant unintended consequences or other risks that this change raises that have not been considered in this consultation paper? If so, are there ways that these risks may be satisfactorily addressed while still proceeding with the proposed change?

A shift to Foreign Exempt status transfers governance oversight to the home exchange, reducing the application of ASX rules and Australian corporate law. This creates some unintended consequences:

- Proxy voting processes may follow foreign standards, which often differ in timing, notice periods, and electronic voting requirements, potentially disadvantaging Australian shareholders.
- Loss of remuneration reporting obligations under section 300A of the Corporations Act removes a key accountability mechanism of shareholder voting on executive pay, which is a distinctive feature of the Australian market.

To preserve investor protections while enabling the proposed change, ASX could:

- Require Foreign Exempt entities to provide an equivalent remuneration disclosure and maintain a non-binding vote on pay for Australian shareholders.
- Publish guidance on proxy voting standards to ensure alignment with Australian expectations where practicable.
- Introduce enhanced disclosure obligations prior to transition to Foreign Exempt status, including a clear statement outlining governance changes, investor implications, and differences in rights and protections.
- ASX should consult on implementation timelines to avoid operational disruption. This ensures that issuers, investors, and intermediaries have sufficient time to adapt systems, processes, and compliance frameworks, reducing the risk of unintended consequences during the transition.

These measures would address governance gaps without imposing disproportionate burdens, maintaining confidence in the ASX as a market that prioritises transparency and shareholder rights.

Shareholder approval for voluntary delisting by a dual listed entity

3. Should security holder approval be required for a voluntary delisting by a dual listed entity on ASX?

Security holder approval should be required for a voluntary delisting by a dual-listed entity because delisting fundamentally alters investor rights and protections. An ASX listing provides transparency, continuous disclosure obligations, and access to Australian regulatory safeguards. Removing that listing without shareholder consent strips investors of these protections and may limit their ability to trade efficiently in a familiar market. Such a decision is structural, not operational, and impacts liquidity, valuation, and governance. Requiring approval ensures this significant change reflects the will of affected stakeholders rather than board discretion alone.

Furthermore, voluntary delisting can materially affect market integrity and investor confidence. Dual-listed entities often attract Australian capital on the basis of ASX governance principles and local investor rights, including voting and disclosure standards. If a company can delist without shareholder approval, it creates a precedent that undermines these expectations and could erode trust in the ASX as a fair and transparent market.

A security holder vote provides accountability and mitigates the risk of decisions that prioritise short-term corporate convenience over long-term shareholder interests. It also reflects widely accepted standards, where

significant changes to listing status typically require a supermajority to ensure broad consensus and protect minority investors.

4. If security holder approval is required, should this apply only to a dual listed entity that was first listed on ASX, but not to an entity that was listed on a foreign exchange before listing on ASX?

We acknowledge that delisting from a primary ASX listing already requires shareholder approval under current rules. Our recommendation focuses on ensuring similar safeguards apply where the ASX was the first listing, as investors may have purchased securities on the basis of ASX governance standards and protections.

In these circumstances, where a company was first listed on the ASX, requiring shareholder approval for a voluntary delisting is critical to honour those expectations and safeguard confidence in the ASX market. Allowing a delisting without consent would undermine trust and create uncertainty for investors who relied on ASX's regulatory framework when making investment decisions. This approach is consistent with international governance norms, where significant structural changes require stakeholder approval under the originating governance regime.

Although ASX's position that a foreign entity first listed overseas may reasonably follow its home exchange's governance rules is understandable, it highlights why requiring shareholder approval where the ASX was the first listing is essential. Investors who relied on ASX governance standards deserve certainty, and this safeguard reinforces market integrity and global best practice.

We believe shareholder approval should be required where ASX was the first listing, regardless of whether the entity is now dual-listed. This approach reinforces market integrity, respects investor expectations, and aligns with market leading standards for significant structural changes.

5. If security holder approval is required, should this be by ordinary resolution? Should a special resolution rather than an ordinary resolution continue to be required if the entity's ordinary securities are not readily able to be traded on another exchange?

The level of approval should reflect the significance of the decision and its impact on investor rights and market integrity. Where securities remain readily tradable on another active exchange and governance protections are maintained, an ordinary resolution (requiring 50%+ support) may be appropriate.

However, if the entity's ordinary securities are not readily able to be traded elsewhere, the consequences for liquidity, valuation, and investor choice are far more substantial. In these circumstances, a special resolution (requiring 75%+ support) should continue to be required to ensure broad shareholder consensus and protect minority investors.

This position is consistent with our response to Question 4, which emphasised that approval requirements should be proportionate to the level of governance accountability and investor reliance on ASX standards. Just as we argued that approval should apply when ASX is the primary listing or the first listing, because those situations materially affect investor protection, the same principle applies here: the greater the impact on shareholder rights and market access, the stronger the safeguard should be. Requiring a special resolution in high impact scenarios is consistent with international governance norms for significant structural changes and reinforces confidence in the ASX as a fair and transparent market.

6. Are there any significant unintended consequences or other risks that this change raises that have not been considered in this consultation paper? If so, are there ways that these risks may be satisfactorily addressed while still proceeding with the proposed change?

One significant risk is the potential erosion of investor confidence if dual-listed entities can delist from ASX without shareholder approval, particularly where Australian investors have relied on ASX governance standards and disclosure obligations. While our recommendation applies only where ASX was the first listing, we recognise that delisting from ASX, even as a secondary listing, can still affect investor confidence and perceptions of market integrity. This underscores the importance of clear disclosure and transition guidance to maintain trust.

This risk is compounded by reduced transparency and diminished influence over governance matters, such as remuneration and proxy voting, once oversight shifts entirely to a foreign jurisdiction.

Another unintended consequence is the operational complexity for institutional investors and proxy advisers. Delisting without clear safeguards could disrupt voting processes, settlement systems, and compliance with Australian stewardship policies, increasing costs and administrative burden. These challenges may also weaken ESG engagement and shareholder activism, which rely on consistent governance frameworks.

How to address these risks:

- Maintain a requirement for shareholder approval in cases where ASX is the primary listing or was the first listing.
- Introduce clear disclosure obligations before delisting, including a detailed impact statement on liquidity, governance, and investor rights.
- Consider transitional arrangements or minimum notice periods to allow investors and intermediaries to adjust systems and policies.
- Require ASX to publish guidance on how investor protections will be maintained post-delisting, particularly for Australian shareholders.

This approach balances flexibility for issuers with robust safeguards for investors, reinforcing market integrity while enabling the proposed changes to proceed.

Bidder shareholder approval of share issues for takeovers and mergers – Exceptions from Listing Rule 7.1

7. Should the current limit on issues of securities without approval under exceptions 6 and 7 in Listing Rule 7.2 be reduced?

Yes. The current limits are excessive and undermine proportionality and investor protections. Exceptions and waivers introduce uncertainty, which is undesirable for market participants. We recommend removing exceptions 6 and 7 entirely and applying clear, uniform limits:

- Retain the existing 15% cap for placements under Listing Rule 7.1.
- For equity issuance in connection with takeovers and mergers, introduce a cap of 25% for ASX300 entities and 50% for entities outside the ASX300.

This approach eliminates exemptions while providing proportionate flexibility for legitimate transactions. The current 100% allowance for smaller entities is excessive and creates governance risk. In addition, removing exemptions will enhance certainty and investor confidence, outweighing any incremental execution costs.

8. If the limit is reduced, should this be to 75%, 50%, 25% or another amount?

We recommend a tiered approach:

- ASX300 entities: 25% limit without shareholder approval.
- Entities outside the ASX300: 50% limit without shareholder approval.

We believe that even 50% is a substantial allowance for entities outside the ASX300, but it is far more proportionate than the current 100%. Anything higher risks eroding governance standards and shareholder rights. Our recommendation strikes a balance between flexibility for issuers and protection for investors and eliminates the need for exemptions or waivers.

9. Should the current limit (the reverse takeover limit) be kept for entities outside the S&P/ASX 300 and with no more than $300 million market capitalisation (the same group of entities as for Listing Rule 7.1A)?

No. The current limit should not remain at 100% for smaller entities. While we acknowledge that smaller companies may need flexibility to pursue growth opportunities, this must not come at the expense of governance and investor protections. Allowing 100% issuance without shareholder approval effectively enables a change of control without consent, which is unacceptable.

Our position is that exceptions should be removed, and a clear cap introduced:

- 50% for entities outside the ASX300.

This provides sufficient flexibility for legitimate transactions while maintaining proportionality and market integrity.

10. Do you think that reducing the limit on issues of securities without approval under exceptions 6 and 7 in Listing Rule 7.2 would make it more difficult for listed bidders to compete in and execute takeovers and mergers? If so, what problems would it create?

Reducing the limit may introduce some additional complexity for bidders, but this is a reasonable and necessary safeguard. Shareholder approval for significant equity issuance is a cornerstone of good governance and investor confidence. If a transaction is strategically compelling, boards should be able to secure shareholder support.

The alternative, allowing significant new equity issuance without approval, creates far greater risks of dilution and loss of accountability. Any incremental difficulty is outweighed by the benefits of transparency and proportionality.

11. What do you think may be the direct and indirect costs of the introduction of a lower limit on issues under exceptions 6 and 7? Would these costs be outweighed by the potential benefits?

Direct costs may include additional time and expense to convene shareholder meetings and prepare disclosures. Indirect costs could involve delays in transaction execution. However, these costs are modest compared to the benefits of enhanced investor protection, market integrity, and certainty.

Requiring shareholder approval for significant equity issuance reflects widely accepted standards and reinforces confidence in the ASX as a fair and transparent market.

The benefits clearly outweigh the costs.

12. Do you think that exceptions 6 and 7 should be strictly limited to issues under takeovers and mergers conducted under Australian law, with no waivers provided to extend them to takeovers and mergers conducted under the laws of foreign jurisdictions?

Yes, and ideally, exceptions should be abolished altogether, consistent with our position in Questions 7–11. Waivers or linking exemptions to foreign jurisdictions introduce uncertainty and inconsistency, undermining confidence. If exceptions remain, they should apply only under Australian law with no waivers. A clear, uniform rule under Australian law ensures transparency and fairness.

This approach eliminates ambiguity, strengthens governance standards, and ensures that all market participants operate under consistent rules, principles that underpin investor confidence, and long-term value creation.

13. Are there any other significant unintended consequences or other risks that this change raises that have not been considered in this consultation paper? If so, are there ways that these risks may be satisfactorily addressed while still proceeding with the proposed change?

One risk is that reducing limits without clear guidance could lead to inconsistent interpretation or application. To mitigate this:

- ASX should publish detailed guidance on how the new limits apply in practice, including transitional arrangements.
- Maintain strict prohibition on waivers to avoid uncertainty and ensure equal treatment of all market participants.

These measures would provide clarity and certainty for issuers while reinforcing investor protections and market integrity.

Security holder approval for change to nature or scale of activities under listing rule 11.1.2

We do not support introducing a requirement for security holder approval for changes to the nature or scale of activities under Listing Rule 11.1.2 at this time.

While we recognise the importance of robust governance, introducing mandatory approval in these circumstances could be disproportionate and impractical, potentially adding delays and costs that limit

companies' ability to respond swiftly in competitive markets. Boards are elected to make strategic decisions and should retain sufficient flexibility to execute transactions within their mandate. Shareholders already have mechanisms to hold boards accountable, including voting on directors and exercising rights under the Corporations Act. Adding another layer of mandatory approval may risk regulatory overreach without delivering meaningful additional protection.

Importantly, if ASX introduces a requirement for shareholder approval where a transaction involves issuing 25% or more new equity (for companies in the ASX300), this will provide a sufficient safeguard without imposing unnecessary approval obligations on all significant transactions. This strikes a balance between governance and efficiency, ensuring shareholders have a say when their ownership and voting power could be materially diluted.

We acknowledge that perspectives on Listing Rule 11.1.2 may evolve over time, and we remain open to engaging in future discussions should market conditions or governance expectations change. For now, we believe the proposed equity issuance thresholds offer an appropriate and proportionate safeguard.