

From time to time the rationale behind the voting system that applies to APRA's Board elections and at its annual general meetings is questioned, specifically:

- (a) the current requirement that a member must have received an APRA allocation at any time during the preceding 2 years to be entitled to vote, and
- (b) the system by which each member entitled to vote receives 1 vote plus 1 additional vote for each \$500 earned from APRA over the preceding financial year.

The purpose of this document – published on behalf of the APRA Board of Directors – is to clarify the current position under APRA's constitution and to outline the reasoning which underpins the current position.

Firstly, it should be noted that the current system and associated requirements are prescribed by APRA's constitution, and have been in place for many decades. In order to change the current system, APRA's constitution would need to be amended by the membership. A change to the constitution can only be made by way of a special resolution passed in a General Meeting of Members. A special resolution must have been set out in the notice of meeting, and must be passed by at least 75% of the votes cast by members entitled to vote on the resolution. As to members' rights to put resolutions to the company in general meeting, and to call general meetings, please refer to the accompanying footnote to this document.¹

The Requirement that a Member must have earned an allocation from APRA over the preceding 2 years to be entitled to vote:

This requirement is designed to ensure that only those members who have a reasonably current financial stake in the organisation should have a direct say in its governance.

As is the case with respect to the voting allocation system (see following note), this requirement effectively treats earnings from the organisation (which can be as little as 1 cent) as analogous to the holding of shares in a company. *Current* shareholders have the right to vote; *past* shareholders do not.

There are about 95,000 members of APRA. Of these, approximately 51,000 have earned an allocation over the past 2 years. A number of members of APRA are no longer active in the music industry at all.

The APRA Board is comprised of 6 Writer Directors (5 Australian Writers and 1 New Zealand Writer) and 6 Publisher Directors. Importantly, in the APRA Board elections only Australian Writer Members may vote in the election for the designated Australian Writer positions on

¹ Members with at least 5% of the votes that may be cast on a resolution, or at least 100 members who are entitled to vote at a general meeting, may give the company notice of a resolution that they propose to move at a general meeting. The notice must comply with section 249N(2) of the *Corporations Act 2001*. The resolution is to be considered at the next general meeting that occurs more than 2 months after the notice is given. Members with at least 5% of the votes that may be cast at a general meeting of the company may call and arrange to hold a general meeting. The members calling the meeting must pay the expenses of calling and holding the meeting (see section 249F of the *Corporations Act 2001*).

the Board. The Publisher Members vote in a separate election for the designated Publisher positions on the Board. Given there is currently no New Zealand Writer Director vacancy on the APRA Board, there will be no election of a New Zealand Writer Director at this AGM; and accordingly New Zealand Writer members are not able to vote in the election of directors to the APRA Board this year.

The voting allocation system: 1 Vote plus an additional Vote for each \$500.00 in earnings:

The underlying rationale for this system has two limbs:

- (a) The idea that the greater your financial “stake” in the organisation as a member, the greater your say by way of voting entitlements should be. Again, this principle draws on the analogy of shareholding – the number of votes you have as a shareholder in a company is directly proportional to the size of your shareholding. So, in APRA’s case, the number of votes you have is proportional to your financial stake in the organisation.

Once again, it is important to remember that APRA has writer members *and* publisher members. The voting system equalises the say of both sets of stakeholders by providing that writer members vote for writer directors and publisher members vote for publisher directors. The constitution also provides that in calculating the votes that may be cast, if there are more publisher votes than writer votes, the total number of publisher votes shall be weighted so as to equal the total number of writer votes available to be cast, and *vice versa*. Regardless of the number of votes allocated to a member, no member is entitled to more than 15% of the total votes available to be cast by publishers or writers as the case may be.

- (b) The commercial reality that a member earning, say \$10,000 in royalties from APRA effectively contributes \$1,200 to the running costs of the organisation, whereas a member earning \$10 from APRA effectively contributes \$1.20 to those same running costs. The former member, on the logic of the current system, ought to have a greater say in the governance of the organisation, by way of voting entitlements, than the latter member. On the alternative logic that each should have the same voting entitlement, it might be argued that each therefore should make an equal contribution to the overheads of the organisation. This in turn would plainly give rise to inequitable outcomes.

For the reasons set out above, the APRA Board of Directors does not consider it appropriate to make changes to APRA’s current voting system.