INFORMATION NEEDS AND RIGHTS OF SHAREHOLDERS

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ABSTRACT

This thesis is about the information needs and rights of shareholders. The thesis commences by grappling with the fundamental issues of knowledge, information and communication. I develop fundamental definitions of each of these. In particular I define communication as the endeavour of passing knowledge by information from one person to another. This definition is purposive and therefore requires a focus on the nature of the relationship between speaker and audience and in particular the information needs of the audience. Translated to the corporate context the respective roles of directors and shareholders are deconstructed in order to determine shareholders' information needs. At this stage shareholders should be regarded as monitors and investors.

I also view shareholders as a class of citizen by drawing an analogy between political democracies and corporations (which are modelled as mini democracies). The lack of an active opposition to, or an effective media antagonistic to the views of, the incumbent directors has serious implications concerning the credibility of information provided to shareholders. Also from the political context citizens enjoy two information rights, namely under freedom of information regimes and under the principle that administrators are required to give reasons for their decisions. I adapt these two information rights for the benefit of shareholders.

My thesis is that an unduly narrow view of the appropriate role of shareholders has been utilised which leads to an atrophied view of their legitimate information needs. This conclusion is the core of my thesis. The model of shareholders as monitors, investors and citizens is used to justify and evaluate the adequacy of existing disclosures and to consider if additional disclosures or methods of disclosures are warranted.

At the outset I also develop a model in order to assess the quality of corporate information. The model I develop is to consider the quality of information measured against the criteria of accuracy, credibility, relevance, comparability, understandability, accessibility and timeliness compared with its cost and confidentiality concerns. These quality criteria measure how useful current corporate disclosures are to shareholders as monitors, investors and citizens.

Subsequent chapters consider different topics of information shareholders receive or should receive using these models. The chapters cover financial information, management information, corporate information and social information. The last substantive chapter covers other methods of disclosure, namely the continuous disclosure regime, right to court ordered inspection of documents and information presented at shareholder meetings. Under these disclosure regimes/rights disclosure of any type of information may occur depending on the underlying circumstance that trigger their operation.