



30 October 2020

Manager  
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The Treasury  
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Submitted electronically: [businesscomms@treasury.gov.au](mailto:businesscomms@treasury.gov.au)

**Re: Submission regarding making permanent reforms in respect of virtual meetings and electronic document execution**

Milford Asset Management welcomes the opportunity to provide a submission in response to the Treasury's consultation on the *Corporations Amendment (Virtual Meetings and Electronic Communications) Bill 2020* (the Draft Legislation).

The government-mandated lockdowns and social distancing restrictions during the coronavirus crisis presented unprecedented challenges to the financial services industry, and we support the work Treasury has undertaken in ensuring the continuity of company meetings during this time. In particular, we are pleased with Treasury's proposed changes to digital signatures.

However, we believe changing the Corporations Act 2001 to permanently remove the in-person meeting requirement would diminish shareholder rights and materially reduce Board accountability.

**About Milford Asset Management**

Milford Asset Management invests over NZ\$10 billion on behalf of more than 50,000 Australian and New Zealand retail and institutional investors. Milford's investment principles are founded on active management and engagement.

**Transparency, accountability and access concerns**

Milford Asset Management supports regulations permitting hybrid virtual & in-person company meetings. A hybrid meeting model will improve access for investors not able to attend in-person, while preserving existing shareholder rights and maintaining Board accountability to all investors. We strongly advocate against the permanent removal of the in-person meeting requirement.

As outlined in the Corporations Act - Sect 250S: *"The chair of an AGM must allow a reasonable opportunity for the members as a whole at the meeting to ask questions about or make comments on the management of the company"*. We strongly advocate that legislation be drafted with the explicit objective of protecting against the following potential adverse outcomes:



- In-person meetings provide all shareholders with certainty that questions have been asked to the Board in their truest form. In virtual meetings, there is the potential for questions and comments from shareholders to be misconstrued, omitted, rephrased or reinterpreted by a moderator or through a platform. Ensuring transparency during this process is vital to upholding shareholder trust in company management.
- There is a risk that virtual meetings, in their current state, become a one-way communication exercise for company management to shareholders. Moderators, Boards and company management have full control of time limits and questions, potentially limiting opportunities for shareholders to follow up on questions where answers are evasive or unclear. Shareholders should have a public right of reply if the responses provided by company management are unsatisfactory.
- Retail shareholders already face disadvantages in accessing company management. Institutional investors are able to request private meetings with Boards at any point in time. Permanently permitting virtual-only meetings (as opposed to hybrid) may exacerbate this disadvantage, by eliminating the opportunity for retail shareholders to attend physical meetings in person. Accessibility challenges may be even greater for older Australians, who may not have the hardware, internet access or experience required to virtually participate in the meeting, or to digitally submit their questions.

These issues highlight the imperative for legislation to be drafted with the explicit intention of ensuring shareholder rights are protected and Board accountability to all investors is maintained.

### **Conclusion and further information**

We recognise and support the Treasury and its activities in ensuring a fair process as it relates to virtual meetings for all industry participants. The feedback outlined above is a reflection of the responsibility held by Treasury in establishing equitable practises and access for all.

Thank you for the opportunity to make this submission in response to the Draft Legislation. Should you have any questions, I welcome the opportunity to speak with you to discuss this matter further.

Yours sincerely,

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Milford Asset Management