

**CONFIDENTIAL**

Manager, Market Conduct Division

The Treasury

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Please find over our confidential submission regarding the Australian Government's exposure draft legislation Corporations Amendment (Virtual Meetings and Electronic Communications) Bill 2020.

Paradice prefers its response to remain confidential and we request it to remain as such.

Sincerely,

Nick Varcoe

Head of ESG

Paradice Investment Management

At Paradise Investment Management, we see the temporary powers being granted for virtual meetings and electronic communication during the COVID pandemic as being necessary and welcome. However, as an investment manager, we have significant concerns with the proposed legislative change that would allow public companies the discretion to hold virtual Annual General Meetings (AGM) on a permanent basis.

Some of the key objectives of the AGM for investors in a company are to garner fresh updates, hold management to account and assess the quality of director responses. Practices such as asking specific questions, asking live questions and asking follow-up questions are critical for the above outcomes. In our recent experience with virtual AGMs all three of these actions have been constrained.

We have experienced companies aggregating questions and hence reframing or excluding specific questions and reading responses from scripts. Furthermore, virtual AGMs have caused concern about the ability to ask follow-up questions. None of these practices support our preference as investors to utilise the AGM to judge the effectiveness of boards on their ability to handle questions that might otherwise not be put to them, and to support sound investing practices.

We believe that the proposed change threatens these core functions of AGMs for shareholders, and we do not see how the current proposals will ensure the accountability and transparency that an in-person AGM provides.

The suggested changes cause concern due to the below key points:

- Virtual AGMs provide companies the ability to combine questions. In our experience this reduces quality and results in responses potentially missing the purpose of the original query.
- Virtual AGMs potentially diminish the opportunity to ask follow-up questions, limiting shareholder ability to request further information following company responses.
- Virtual AGMs allow companies to prepare responses to pre-submitted questions, which permits executives to respond on a scripted basis and reduces the opportunity for shareholders to honestly gauge board and executive expertise and competence on issues critical to the company.
- We have concerns regarding the transparency of shareholder questions being acknowledged and answered by the company.
- We have concerns regarding the ability of companies to manage the questions and responses that are distributed to shareholders:
  - Paragraph 2.24 in the Explanatory Memorandum states “In relation to the requirements in respect of meetings, the permanent reforms will differ from the temporary relief as follows: - to improve transparency, companies choosing to hold a meeting virtually, will be required to record and give members’ access to all questions and comments submitted before and during a meeting that are intended to be covered during the meeting...”

We firmly believe that any measure that potentially degrades shareholder access to the board and management will be detrimental to the quality of Australian listed markets. We acknowledge that virtual AGMs have increased the quantity of people able to attend but feel that this has come at the expense of the quality of the AGM. Whilst we see upside in increased electronic communication and virtual director meetings, we do not believe the current legislative changes regarding virtual AGMs are in the best interest of shareholders.

We note the Treasurer’s recent comments regarding the possibility of a hybrid model, and we look forward to further consultation.

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