



5 November 2020

Manager
Market Conduct Division
The Treasury
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Dear Manager

CORPORATIONS AMENDMENT (VIRTUAL MEETINGS AND ELECTRONIC COMMUNICATIONS) BILL 2020 – DRAFT

STAKEHOLDER SUBMISSION - PERPETUAL INVESTMENTS

Thank you for the opportunity for making a submission in regard to the above exposure draft legislation.

Perpetual Investments ("Perpetual") is a significant institutional investor in Australian listed companies. Perpetual is not a passive investor, but rather actively engages with our investee companies, to ensure corporate accountability and encourage actions by companies that will result in better investment outcomes for our clients.

We therefore have a strong interest in the governance rules and standards that apply to Australian listed companies. We believe any weakening of governance frameworks will be detrimental to our clients' interests, by making the above tasks more difficult and reducing overall investor confidence in the listed market.

Perpetual understands and accepts the need for the temporary relief provided to companies through the COVID-19 pandemic to host virtual shareholder meetings. In effect, shareholders have sacrificed their rights temporarily to ensure the safety of all concerned, due to an unprecedented public health emergency. However, we do not see the need to make this sacrifice a permanent one.

We believe the reforms as proposed would be a backward step for corporate governance in Australia.

It is our position that the traditional 'physical' shareholders' meeting, that provide many shareholders with their sole opportunity on an annual basis to question company leadership, is a superior forum for this purpose which cannot be replicated with the same effectiveness solely by a virtual meeting. From a shareholder's point of view, being able to converse with company directors and management face-to-face, unfiltered and on any issue without notice (and then gauging the response) provides important insights into how the company is being run and compels company directors and management to face accountability issues. In contrast, lodging questions virtually deprives the shareholder of the full interactive engagement in real time which shareholders have become accustomed to. Notwithstanding that ASIC guidelines state that there should be transparency about the number and nature of the questions asked and not answered, there is an apprehension that questions can be screened and prioritised.

What should be a robust conversation between shareholders and company leadership could become a sterile, remote Q&A process largely controlled by the company.

From a company's point of view, having to confront shareholders at a physical meeting encourages higher standards of company performance, governance and accountability. There is no opportunity for a company to cherry pick questions or avoid difficult questions.

Perpetual understands the need to modernise the shareholder meeting process via electronic rather than physical communication and that this provides shareholders with greater flexibility to attend the AGM. However, we have a real apprehension that providing companies the choice to have a wholly virtual meeting is a step too far. If companies are provided with a choice, they may be more likely to choose a wholly virtual meeting to avoid a fully interactive engagement with the board and questions being asked in real time, especially where the company may have to face difficult questions from shareholders. We would prefer the reforms were modified to retain the requirement for companies to hold physical meetings or hold physical meetings in conjunction with a virtual option for the reasons outlined above, to give the shareholders the choice of whether to attend physically or not (subject to numbers being controlled safely).

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Skamvougeras', written in a cursive style.

Paul Skamvougeras
Head of Equities, Perpetual Investments