

Market Conduct Division
Treasury
Langton Cres
Parkes ACT 2600

By email: businesscomms@treasury.gov.au

16 July 2021

Dear Sir/Madam

Submission for Consultation – using technology to hold meetings and sign and send documents

Automic Group (**Automic**) welcomes the opportunity to provide comments to the Treasury in response to the exposure draft legislation *Treasury Laws Amendment (Measures for Consultation) Bill 2021: Use of technology for meetings and related amendments (Draft Bill)*.

Established in 2012, Automic is a technology-focused, customer-centric company, delivering quality solutions to Australian listed companies. Automic is Australia's the third largest registry provider and the only company in the country that offers integrated technology solutions combined with legal, registry, outsourced company secretarial and outsourced CFO services.

As a leading provider of technology and professional service solutions for ASX listed entities, we have the benefit of gaining unique insights into the potential impact the Draft Bill may have on our clients from different vantage points.

Whilst we appreciate that there will be arguments on both sides, on balance, Automic strongly supports the proposed amendments in the Draft Bill that create a permanent statutory mechanism allowing companies to hold hybrid and virtual meetings and to execute documents and distribute meeting related documents electronically. These changes allow companies to capitalise on the rapidly expanding market of innovative technologies and provides directors with the necessary flexibility to use technology to meet their regulatory obligations and to facilitate stakeholder engagement in a dynamic digital market and economy.

Automic provides comments on the following changes proposed by the Draft Bill.

Hybrid and virtual meetings

Automic supports the proposed amendments in the Draft Bill which will allow companies to hold physical, hybrid or virtual meetings on a permanent basis. The new laws as currently drafted do not seek to prescribe a particular format for how meetings should be conducted. We support this approach as it provides companies with the



flexibility to adopt the most appropriate meeting format for the company's particular circumstances, having regard to its size, complexity and the needs of its shareholders.

The temporary relief measures introduced during the COVID-19 pandemic provided an opportunity for companies to trial the efficacy of virtual meeting technologies in facilitating shareholder meetings. From our experience working with both listed and unlisted companies during this period, our view is that virtual meeting technologies have significant benefits in promoting business efficacy, reducing costs and increasing stakeholder engagement.

Our experience is that virtual and hybrid meetings promote democratic stakeholder participation. In 2020, Automic conducted 125 hybrid meetings and virtual meetings to service our clients. As a general observation, our clients experienced an increase in shareholder participation at these meetings compared to previous years where only physical shareholder meetings were permitted. We consider this resonates more strongly with the changing demographics of the shareholder base of ASX listed entities. For the many companies that have a geographically diverse shareholder base, virtual meetings provide an accessible avenue for shareholders to observe, participate and vote at meetings and access a company's board and senior executive team. These shareholders may otherwise be unable to attend physical meetings.

Automic acknowledges that some stakeholders are concerned that allowing companies to hold fully virtual meetings erode fundamental shareholder rights and diminish transparency and corporate accountability. We recognise that a shareholder's right to participate meaningfully at shareholder meetings is critical to corporate governance processes. In this regard, we welcome the proposed amendments which provide safeguards to ensure accountability and transparency in a digital environment. These include the requirement that companies "give the members entitled to attend the meeting, as a whole, a reasonable opportunity to participate in the meeting". Combined with the power conferred on the court to invalidate a meeting where a substantial injustice occurs as a result of a failure to comply with this requirement, the proposed amendments in the Draft Bill strike a balance between the primacy of shareholder rights and the need to modernise corporate governance regulation.

Hybrid and virtual meetings are reasonably novel in the Australian context. We encourage regulators and other stakeholders to collaborate and provide practical guidance and codes of best practice to assist companies with conducting hybrid and virtual meetings in a manner which allows shareholders to exercise their rights effectively and to improve the shareholder experience. Automic is committed to collaborating with our diverse client base in this regard.

Giving and signing meeting documents electronically

Automic supports the proposed amendments in the Draft Bill which will allow companies to sign and distribute meeting documents electronically. Similarly, we welcome the proposed amendments in the Draft Bill which clarify that minute books may be recorded and kept electronically. The proposed amendments will reduce costs and administrative burdens on companies and will have significant environmental benefits.

In 2020, Automic assisted the majority of its registry clients with the distribution of shareholder meeting materials. As a result of the temporary relief measures introduced during the COVID-19 pandemic permitting the electronic distribution of notices of meetings (and use of cover letters), our clients typically spent less on printing and mailing

costs. Additionally, in our capacity as a registry provider, Automic has insight into the communication preferences of a significant and diverse shareholder base. Overall, 32% of shareholders, when aggregated, have elected to receive shareholder communications by electronic means. This demonstrates that the proposed amendments in the Draft Bill reflect the reality that electronic communication has become the dominant form of communication in an increasingly digital world.

Electronic execution of company documents

Automic supports the proposed amendments in the Draft Bill which will allow the electronic execution of company documents, including deeds. Additionally, we welcome the proposed amendments in the Draft Bill which clarify that a sole director of a proprietary company may validly execute documents. These changes reflect the reality that parties are increasingly entering into contracts and transactions electronically and will promote business efficacy and reduce costs and administrative burdens on companies.

Finally, as a general comment, we consider that it is critical that the proposed amendments in the Draft Bill remain technology neutral. This provides the necessary regulatory flexibility to adapt to emerging technologies which may be used by companies in the future to conduct business, engage with stakeholders and comply with their regulatory obligations.

Please do not hesitate to contact us should you wish to discuss any aspect of our comments relating to the Draft Bill.

Kind regards



David Franks
Director, Principal



David Hwang
Principal