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Committee Secretary  
Senate Economics Legislation Committee  
P.O Box 6100  
Parliament House  
Canberra ACT 2600

Submission re: Treasury Laws Amendment (2021 Measures No. 1) Bill 2021

Thank you for the opportunity to provide a submission in relation to the above Bill.

Ethical Partners Funds Management provides Australian equities investment management services to large superannuation funds, charities, schools and high net wealth investors. The firm currently manages over \$2.5 billion in funds under management and its Principals and owners each have more than 20 years' experience in Australian and international equities markets.

*It is Ethical Partners' view that the permanent changes to the Continuous Disclosure laws that are being considered, should not be implemented.*

The Continuous disclosure of market sensitive information (that would have a material effect on the price of an entity's securities) by listed entities is a crucial tenant of investing in public markets. Replacing the reasonable person standard with a test that would only require a higher degree of certainty that the information would have the necessary market impact before being required to be disclosed, is to obstruct the flow of potentially important information to investors, for the purposes of decision making in securities.

The extent of information required to be disclosed under Continuous Disclosure laws in the Corporations Act, prior to any change to the law, is notoriously vague and already requires a high degree of subjective judgement on behalf of the disclosing entity when considering whether to disclose information. That is; it is already subject to significant professional judgement. Changing the law to accommodate further vagary may only weaken the chance of investors actually receiving material and relevant information for decision making on securities.

While some temporary changes may have been required during the uncertainty of markets in the midst of COVID-19 we believe that permanent changes to this law potentially weakens the flow of relevant information to both institutional and retail shareholders.

At a time when the breadth of information being provided to shareholders should be increasing, we do not welcome a permanent change to the law that lessens the requirement or perception of the requirement that there may be less information provided by public company directors. The potential change to the law may at worst, restrict important information or, at best serve to narrow the field of consideration of what may in fact be material information. In addition to financial information required



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to be disclosed, the range and effect of environmental, social and governance (ESG) data, evidence and statistics is increasingly material to the value and price of securities. While new introduced laws such as Modern Slavery legislation are working to increase disclosure of material data the proposed change to Continuous Disclosure laws may give rise to ambiguity and make allowance for further important ESG information to be suppressed.

We are aligned with the views of large number of investor groups and large financial institutions who are concerned that watering down the Continuous Disclosure laws potentially undermines the integrity of the market and may enable directors not to keep shareholders informed in a timely way.

Respectfully,

Nathan Parkin  
Investment Director  
Ethical Partners Funds Management

1 March 2021

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