Capital Raising and Protecting Your Investors

We would like to convey our support for the work of your board in this difficult time, recognising the strain of COVID-19 on employees, customers, investors and financial stability.

We are writing to you to highlight one of the critical areas where the actions of your board in the coming weeks and months will either protect or destroy significant shareholder value in current market conditions - capital raising.

The ASX's new rules on Temporary Emergency Capital Raising grant your company increased discretion in raising capital in the period to 31 July 2020. In considering how the company may utilise these rules to raise capital in the coming months, we ask that you act in the interests of your shareholders to negotiate the best commercial terms and fairest structure in any negotiation with banks and underwriters. ACSI's preferred approach to raising is a PAITREO (pro-rata accelerated institutional offer with accompanying retail entitlement offer) which may be challenging in current market conditions.

In this climate, we would like to highlight the following issues for your board to actively manage:

- **The impact of dilution –** Accelerated entitlement offers can provide investors protection from dilution while allowing companies to raise capital quickly. Where placements are required, companies must provide preference to their existing shareholders. Please only use the new 25% placement capacity where it is absolutely required.

- **Be in the room during allocations -** Where placements occur, company representatives must be in the room ensuring existing investors are the first offered to at least their pro-rata position. Boards must not simply outsource this process to the investment banks and expect their investors to be protected. We recommend you make contemporaneous disclosure of the portion of stock allocated to new and existing shareholders on a non pro-rata basis to engender confidence in your oversight of this process.

- **Discounts -** Where possible we favour some form of price discovery (e.g. by way of bookbuild).

- **Fees** - A commercial approach must be applied to underwriting and sub-underwriting fees. These fees should be contemporaneously disclosed and reflect the time your underwriter is genuinely on market risk. Lower fees should be expected for steeply discounted placements.

- **Control implications -** Large capital raisings have the potential to deliver very large shareholdings to individual shareholders. The allocation of placements, together with sub-underwriting processes, can create or boost significant block holdings in the company. Boards should consider these impacts as they may have significant control implications or remove a takeover premium.

We understand that you may already be aware of the risks detailed above but you can appreciate our need to voice these concerns with you given the significant value at risk for our member funds. Capital raisings and the associated responsibilities of the Board are considered by ACSI when making voting recommendations.

We would welcome a discussion with you, or company management, on these issues. Your actions as a board will make a huge difference on these matters and we support your work on behalf of all shareholders in this difficult period.

Yours sincerely,

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