



28 September 2005

Mr John Kluver
Executive Director
Corporate and Markets Advisory Committee
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Sydney NSW 2001

By email: john.kluver@camac.gov.au

Dear Mr Kluver

ASA submission: Corporate Responsibility

Thank you for the opportunity to contribute ASA comments on this topic.

ASA Position

The position of the ASA, in summary, is we expect that a board that operates in the best interests of the company will be mindful of its other stakeholders to ensure the continuation and evolution of the business. There appears to be no impediment to boards, management or companies reporting or focusing on their CSR efforts (as shown by Westpac, BHP Billiton and many others).

ASX Corporate Governance Council Principles

The existing Principles of Good Corporate Governance and Best Practices Practice Recommendations allow for coverage of CSR under Principle 7: Recognise and manage risk (includes non-financial risk), and Principle 10: Recognise the legitimate interests of stakeholders.

Smaller Companies

The ASX lists a large number of very small companies. We would highlight that a number of these smaller companies may be acting as good corporate citizens but perhaps not reporting their activities with sufficient fanfare. We suggest that the recent adoption of corporate governance principles and remuneration reporting, and then the adoption of international accounting standards in 2006 has been resource intensive, perhaps inhibiting the evolution of greater CSR reporting. However despite additional demands on smaller companies we have seen increased reporting of statistics such as lost time frequency rates.

We note that the Global Reporting Initiative is onerous for smaller companies. We believe that guidelines such as those provided by groups such Group of 100 and AICD would assist smaller companies in addressing CSR in a cost effective fashion.

ASA Policy

Our policy statement, *Shareholders expect*, includes the following statement:

2. Purpose of companies, and related management issues

2.2 Behaviour of company managers and directors

Shareholders expect the directors and executives of companies to act responsibly and ethically.

2.3 Financial performance is a primary goal



Subject to the foregoing level of compliance and behaviour, shareholders expect companies to use the resources entrusted to them to generate value for shareholders by maximising cash flows and profits over a time horizon appropriate to the primary activities of each company. This economic function should be their primary purpose.

2.4 Directors

Directors are elected by shareholders to oversee the management of companies in the interest of the company itself and its stakeholders. Shareholders, as the ultimate owners of the company and its primary stakeholders, expect directors to be accountable to them for the performance of this role.....

2.5 Corporate donations

ASA has stated in a separate key policy (*Political donations*) that it is not the role of companies to divert shareholders' funds to political purposes by the making of donations to political entities. It also states that when such donations have been made they should be disclosed and explained in the annual report. Donations, sponsorships and similar expenditures of a recognisably charitable nature are matters for decision by directors, and executives to whom such decisions are delegated by directors. Nevertheless, shareholders expect to be informed of unusual or significant expenditures of this nature, both as they occur and in the annual report. Where directors have links with institutions to which such payments are made the nature of the association and the payments should be disclosed as related-party transactions.

5. Communication with shareholders

5.3 General contents of annual reports

Shareholders expect annual reports to contain all matters of relevance to them in their position as ultimate owners (including political donations and charitable donations referred to above). This expectation includes matters of an environmental nature (especially material non-compliances with licences and regulations) and matters relevant to the social obligations of the company. However, shareholders expect the primary focus of the annual report to be the company's financial performance and financial position reflecting the financial function and purpose of the enterprise in which they have invested.

6. Meetings with shareholders

6.1 Conduct of meetings

Shareholders expect general meetings will be conducted in a way that permits reasonable expression of their views on matters to be decided and performance of the company. Shareholders expect the chairperson to control the meeting in an appropriate manner and not act dictatorially or defensively in protection of the board or other stakeholder groups, or in a confrontational way. Meetings of shareholders are not public meetings.

If you wish to discuss any thing further please contact me.

Yours sincerely

Stuart Wilson
Chief Executive Officer