

27 February 2006

Mr John Kluver
Executive Director
Corporations & Markets Advisory Committee
GPO Box 3967
SYDNEY NSW 2001

Dear Mr Kluver

Discussion Paper – Corporate Social Responsibility

The Group of 100 (G100), representing the Chief Financial Officers of large business enterprises in Australia, is pleased to respond to CAMAC's invitation to comment on the Discussion Paper titled 'Corporate Social Responsibility'.

1. *The issue of corporate social responsibility*

The G100 supports initiatives by its members and other corporations to develop reporting formats in respect of corporate social responsibility. Reporting of this nature is variously described as sustainability reporting or triple-bottom-line reporting. In order to facilitate the understanding of members the G100 produced 'Sustainability: A Guide to Triple Bottom Line Reporting' in 2004. This Guide can be downloaded from our website www.group100.com.au. In view of the current state of development and practice we do not consider that mandating a definition of corporate social responsibility is appropriate at this time and impose additional requirements beyond those already required under various legislation and regulation.

2. *Directors' duties – current position*

The G100 considers that directors are required to consider broader interests in addition to those of shareholders under their current obligations. Directors have a first duty to the interests of the company and would be derelict in their duty if they did not seek to ensure the long-term survival, financial performance and health of the company. It is only by doing so that a company will continue to grow and add value to the community in which it operates. In order to do so directors must ensure that the company continues to give appropriate recognition to the concerns and expectations of the community.

The G100 does not consider there is any need to change the present current legal framework under which a director is required to act in the best interests of the company. Under the present requirements directors may also respond to changes in community expectations about corporate behaviour in order to enhance the longevity of the company and to preserve its "licence to operate".

3. *Directors' duties – matters for consideration*

The G100 considers that mandating change is unnecessary in view of the current Corporations Law and other requirements. In many of these areas, as evidenced in the Business Council of Australia findings, the imperative is to remove regulatory duplication and contradictions rather than to impose another layer of requirements which may inhibit progressive behaviour on the part of companies and directors. The best encouragement for entities is to create an environment in which experimentation with reporting in this evolving area is able to flourish. In a competitive environment the priorities and reporting of leading companies will induce improved reporting by other companies in response to changes in community expectations. This is unlikely to occur under a mandatory regime.

This approach is consistent with the view of the co-chair of the World Business Council for Sustainable Development 'Beyond Reporting' project that "leading companies build sustainable businesses by embedding strong governance and corporate responsibility into their strategies and culture. By earning the trust of their employees, communities, trading partners and the capital markets, companies with a culture of corporate responsibility are able to generate value where others cannot".

4. *Corporate Reporting*

At present there are no formal reporting requirements other than requirements in respect of matters to be dealt with in the directors' report. The G100 considers that the current position is appropriate at this stage of development in respect of corporate sound responsibility reporting. Specifying requirements and imposing a "one size fits all" approach is likely to impede promising and innovative developments. In addition, in respect of listed companies, good reporting practice should lead to discussion of corporate performance on these matters in compliance with requirements for a review of operations and financial condition.

The G100 considers that at the present stage of development of reporting on these issues it would not be appropriate to champion/require/adopt a particular approach to reporting when flexibility and development of different approaches in applying competing methodologies is occurring. Current approaches which are popular may soon be superseded by other approaches as techniques and measurement methodologies evolve.

Reporting on non-financial and sustainability issues is in its infancy and improvements will occur as a result of experimentation by different types of companies. Approaches will vary depending on the nature of the company, its culture and activities, its relationships with the communities in which it operates. In these circumstances it would be unfortunate to mandate an approach on the basis of a current fashion.

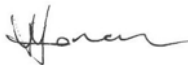
For example, Westpac issued a sustainability report two years ago and in 2005, one of its competitors, the ANZ Banking Group, issued its first Corporate Responsibility Report. While both reports address corporate social responsibility issues, the fact that different formats and presentation approaches are used does not diminish their role in communicating to shareholders and other users.

These differences within an industry sector demonstrate that when considered across industry sectors, for example, mining which has different issues to manage a process with flexibility (rather than a one-size-fits-all) is the most appropriate and most meaningful approach to reporting rather than black letter law.

5. *Encouraging responsible business practices.*

The G100 agrees that responsible business practices should be encouraged. While there may be instances where directors have abrogated their responsibility the G100 believes that, in the vast majority of cases, directors take account of a broad group of stakeholders including shareholders, credit providers, employees, regulators, government and the community in discharging their obligations. This is also emphasised in Principles 3, 7 and 10 of the ASX Corporate Governance Council recommendations. An awareness of the expectations of the community will engender appropriate behaviour in the general course of events, as to do otherwise leads to erosion of a company's reputation and impairs its long-term survival.

Yours sincerely



Tom Honan
National President



15 November 2005

Mr John Kluver
Executive Director
Corporations & Markets Advisory Committee
GPO Box 3967
SYDNEY NSW 2001

Dear Mr Kluver

Director's Duties and Corporate Social Responsibility

The Group of 100 (G100) is pleased to respond to the request for comments on director's duties and corporate social responsibility.

Our responses to the questions are set out below:

1. *Should the Corporations Act be revised to clarify the extent to which directors may take into account the interests of specific classes of stakeholders or the broader community when making corporate decisions?*

No. The G100 considers that mandating change is unnecessary in view of the current Corporations Law and other requirements. In many of these areas, as evidenced in the Business Council of Australia findings, the imperative is to remove regulatory duplication and contradictions rather than to impose another layer of requirements which may inhibit progressive behaviour on the part of companies and directors. The best encouragement for entities is to create an environment in which experimentation with reporting in this evolving area is able to flourish. In a competitive environment the priorities and reporting of leading companies will induce improved reporting by other companies in response to changes in community expectations. This is unlikely to occur under a mandatory regime.

This approach is consistent with the view of Samuel A.Di Piazza, the co-chair of the World Business Council for Sustainable Development 'Beyond Reporting' project that "leading companies build sustainable businesses by embedding strong governance and corporate responsibility into their strategies and culture. By earning the trust of their employees, communities, trading partners and the capital markets, companies with a culture of corporate responsibility are able to generate value where others cannot".

2. *Should the Corporations Act be revised to require directors to take into account the interests of specific classes of stakeholders or the broader community when making corporate decisions?*

No. The G100 considers that directors are required to consider broader interests in addition to those of shareholders under their current obligations. Directors have a first duty to the interests of the company and would be derelict in their duty if they did not seek to ensure the long-term financial performance and health of the company. It is only by doing so that a company will continue to grow and add value to the community in which it operates. In order to do so directors must ensure that the company continues to give appropriate recognition to the concerns and expectations of the community. In the normal course of events this includes consideration of the impact of the company's activities on the communities in which it operates.

3. *Should Australian companies be encouraged to adopt socially and environmentally responsible business practices and if so, how?*

Yes. While there may be instances where directors have abrogated their responsibility the G100 believes that, in the vast majority of cases, directors take account of a broad group of stakeholders including shareholders, credit providers, employees, regulators, government and the community in discharging their obligations. This is also emphasised in Principle 10 of the ASX Corporate Governance Council recommendations. An awareness of the expectations of the community will engender appropriate behaviour in the general course of events.

4. *Should the Corporations Act require certain types of companies to report on the social and environmental impact of their activities?*

No. At present there are no formal reporting requirements other than requirements in respect of matters to be dealt with in the directors' report. The G100 considers that the current position is appropriate at this stage of development in respect of corporate sound responsibility reporting. Specifying requirements and imposing a "one size fits all" approach is likely to impede promising and innovative developments. In addition, in respect of listed companies, good reporting practice should lead to discussion of corporate performance on these matters in compliance with requirements for a review of operations and financial condition.

Yours sincerely



Tom Honan
National President