

**Submission on a draft of the proposed third edition of the Principles and Recommendations released by the ASX Corporate Governance Council on 16 August 2013.**

The Australian Centre for Corporate Responsibility (ACCR) welcomes the proposed recommendation 7.4 of the draft Principles and Regulations.

The Australasian Centre for Corporate Responsibility (the ACCR) is a not-for-profit association whose mission is *to promote ethical investment*. Particularly, we facilitate *informed shareholder engagement and advocacy* to promote just and sustainable corporate activity. As shareholders ACCR's members are concerned about the financial health of the companies they invest in as well as the broader risks and their wider impacts of companies operations.

ACCR members have been particularly concerned about climate change, insecure or unsafe working environments, obesity and container deposit legislation – among other things.

The ACCR has been inspired by the Interfaith Centre for Corporate Responsibility in America and the Ecumenical Centre for Corporate Responsibility in England. You can find more about ACCR at [www.accr.org.au](http://www.accr.org.au).

The proposed new rule 7.4 is

"A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks."

We note that this is a new requirement. As your translation table between the current second edition and the third edition says, currently there is "No equivalent "

Investors, governments and the public more and more want to know about the economic, environmental and social sustainability impacts of corporate activities, and proposed corporate activities. So this new requirement 7.4 will lead to information that will be widely used.

We note that currently ASX listing rules require disclosure of information that would have a material effect on the price or value of an entity's securities. Sometimes this will require that the entity discloses environmental, social and sustainability performance information.

At present most entities in the energy and resources area already provide some environmental information because for these entities environmental risks can have a major impact on the value of their operations.

ACCR would like to see more information so investors and others can assess the risk. In this context ACCR notes the current 'unburnable coal' campaign being conducted by 350.org, the Climate Institute, Carbon Tracker, Market Forces and other groups. The contention of these groups is that for the world to keep our temperature from rising more than 2 degrees, 80% of the current known fossil fuels reserves must be left in the ground. In other words they are unburnable. For more information see <http://www.carbontracker.org/wastedcapital> among many others.

This is arguably a significant risk to the value of resource and energy companies and one which investors are not sure how, or even if, their companies are dealing with.

Environmental risks are not the only risks that impact Australian corporate entities. This year in particular Australian companies have been adversely affected by the disasters in the Bangladesh garment industry see <http://www.smh.com.au/comment/garment-workers-lives-in-our-hands-20131023-2w1kj.html> for one of many examples.

The proposed rule change is entirely consistent with the UN Principles of Responsible Investment, which are:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

See <http://www.unpri.org/about-pri/the-six-principles/>

There are 123 signatories to UNPRI in Australia.

ACCR welcomes this rule change and looks forward to greater disclosure by ASX listed entities which we believe will be mutually beneficial to companies, their investors and the communities that they operate in.

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