



27 July 2018

Ms Elizabeth Johnstone  
Chair  
ASX Corporate Governance Council  
c/o ASX Limited  
PO Box H224  
Australia Square NSW 1215

via email: [mavis.tan@asx.com.au](mailto:mavis.tan@asx.com.au)

Dear Elizabeth,

## Consultation draft Corporate Governance Principles and Recommendations

Chartered Accountants Australia and New Zealand welcomes the opportunity to provide a submission on the Consultation draft on the 4<sup>th</sup> edition of the Corporate Governance Principles and Recommendations (the Consultation Draft). We support the initiative to modernise and update the Principles and Recommendations. Appendix A provides more information about Chartered Accountants Australia and New Zealand.

### General points

- The Corporate Governance Council has done a very good job in capturing the major issues of relevance to Australian business. It means the Consultation Draft reflects corporate governance thinking that is contemporary and best practice.
- While we acknowledge the importance of updating and modernising the Principles and Recommendations, the Consultation Draft is long and overly prescriptive at times and often moves away from the intention of being a principles based approach to corporate governance.

### Specific Comments

#### Diversity (Recommendation 1.5)

The Principles and Recommendations have played an important role increasing gender diversity on Australian boards. We understand the importance and benefits having a diverse board and workforce brings to an organisation. While we support Recommendation 1.5, we suggest the commentary should be amended to include stronger support for a broader definition of diversity.

#### Corporate Reports Validation Process (recommendation 4.4)

We believe the commentary to Recommendation 4.4 should be clearer as to what is required. While we interpret the Recommendation as not requiring an audit to be undertaken on all corporate reports, there has been some confusion in discussions what the commentary is actually requires.

The commentary states that where a corporate report is not subject to assurance by an external auditor, an appropriate process should be in place to validate that the report is **accurate**, balanced and understandable. However, it is not the case that every single fact and detail in a corporate report has been checked and verified by the auditors, and is therefore guaranteed to be 100 percent accurate. Therefore

it may not be possible for an entity to have a process that guarantees accuracy. We would suggest the alternative wording of 'the report can be relied upon to make decisions, is balanced and understandable.'

### **Risk Management Framework (recommendation 7.2)**

Recommendation 7.2 requires the board or committee to review an entity's risk management framework at least annually to ensure it continues to be sound. However, it is not simply a matter of having a risk management framework. For it to be effective it must be embedded in the culture and operations of the business. We believe the guidance to this recommendation should include some commentary to this effect. We have seen evidence that having a risk management framework may not always be sufficient in testimony to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Should you have any queries concerning the matters raised in the following questionnaire or wish to discuss them in further detail, please contact Geraldine Magarey via email at [Geraldine.magarey@charteredaccountantsanz.com](mailto:Geraldine.magarey@charteredaccountantsanz.com) or Karen McWilliams via email at [karen.mcwilliams@charteredaccountantsanz.com](mailto:karen.mcwilliams@charteredaccountantsanz.com).

Yours sincerely,



**Simon Grant FCA**  
**Group Executive Advocacy & Professional Standing**  
**Chartered Accountants Australia and New Zealand**

## Appendix A

### About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation professional accountants across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.