



NORGES BANK
INVESTMENT MANAGEMENT

ASX Corporate Governance Council
c/o ASX Limited
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Revision of the Australian Securities Exchange Corporate Governance Council's Principles and Recommendations

We refer to the public consultation on the proposed fourth edition of the Corporate Governance Principles and Recommendations, dated 2 May 2018, and welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Government Pension Fund Global. NBIM is a globally diversified investor with AUD 19.2 billion (USD 15.0 billion) invested in equities listed in the Australian market at the end of 2017. We work to safeguard and build financial wealth for future generations.

The Australian corporate governance framework offers strong shareholder protection and a competitive corporate environment. We appreciate the efforts of the Council to build on this legacy while elaborating the Principles and Recommendations.

The proposed fourth edition focuses partly on the importance of companies acting ethically and in a socially responsible manner. To achieve their objective of long-term value creation for the company and distribution of benefits to shareholders, we consider that boards need to address and account for material sustainability issues that could affect companies' future performance. Boards should, moreover, fulfil their objective within principles for responsible business conduct, such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. They should understand the broader social and environmental consequences of business operations, set their own priorities to address these and account for associated outcomes. In line with the OECD Principles of Corporate Governance, we expect company boards to take into account the interests of all relevant stakeholders.

We welcome the recommendation for companies to have and disclose an anti-bribery and corruption policy, as well as a whistle-blower policy. We agree with the Council that the board should be informed of any material breaches of these policies. Corruption remains a serious challenge and exposes companies to legal and financial risk through penalties and blacklisting. In



addition, corruption exposes companies, their investors and business partners to significant reputational risk. Therefore, we support the Council's proposals, which are in line with NBIM's own anti-corruption expectations, published earlier this year.¹

The existing Principles ask companies to disclose whether they have material exposure to environmental or social risks. As a long-term investor, we use such information to identify how environmental or social risks and opportunities may affect companies' performance and prospects, and to assess whether company boards and management are taking steps to manage relevant issues. We support an approach whereby the reporting is driven by materiality, as understood by the company.

We note that, in the consultation document, the Council encourages companies that have material exposure to climate change risk to consider implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We welcome the reference to the TCFD, which provides an efficient structure for climate reporting around governance, strategy, risk management, and finally metrics and targets. If broadly adopted, the TCFD recommendations will result in a consistent reporting regime for climate risks across sectors, asset classes and jurisdictions.

Furthermore, the Council proposes several changes that could strengthen boards' effectiveness. We agree that the board needs to have an appropriate knowledge of the entity and the industry in which it operates. We also support the suggestion that the board should identify and address any gaps in its collective skills and disclose this analysis (i.e. with a "board skills matrix"). In addition, the Council proposes measures to improve gender diversity on boards. Ensuring that the board has the appropriate balance of competences and backgrounds to fulfil its responsibilities is important to shareholders, and so we see the benefits of these proposals.

Finally, we agree with the Council that resolutions at shareholder meetings should be decided by a poll rather than by a show of hands.

We appreciate your willingness to consider our perspective, and we remain at your disposal should you wish to discuss these matters further.

Yours faithfully

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¹ NBIM, [Expectations towards companies on anti-corruption](#)