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ASX Corporate Governance Council
c/o ASX Limited
PO Box H224
Australia Square NSW 1215 Attention: Mavis Tan

3 August 2018

By email: mavis.tan@asx.com.au

Dear Council

Submission in response to Review of the ASX Corporate Governance Council's Principles and Recommendations Public Consultation

Sustainable Business Australia (**SBA**) welcomes the opportunity to make this submission to the Committee.

This Submission contains the following Sections:

- Summary
- Why Sustainability Reporting Will Create Long-Term Business and Investor Value
- Addressing the Business challenge of non-financial risk performance reporting
- Specific Comments on the Recommendations

We would also welcome the opportunity to speak directly on these points at the appropriate time.

Yours faithfully,

Andrew Petersen
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Summary

- SBA **welcomes** the proposed amendments to Recommendations 1.5, 1.6, 3.3, 3.4, 4.4 and 7.4 of the Fourth Edition of the Corporate Governance Code from the ASX Corporate Governance Council
- **SBA strongly supports** the revision of Principle 3 particular where it includes a focus on corporate culture, and recognition that the social licence to operate is an intrinsic and valued asset of any list entity
- **SBA recommends** consideration of elaborating the following parts of the Code's proposed commentary to Recommendations 1.5, 1,6, 4.4 ad 7.4 as follows:
    - Listed entities should consider disclosing insights from annual reviews of diversity objectives;
    - Listed entities should disclose how insights from board performance evaluations have been applied to improve board effectiveness;
    - The Code commentary should clarify non-prescriptive examples of how entities should adopt a 'fit for purpose' corroboration procedure of corporate reports;
    - The ASX to endorse the Task Force on Climate-related Financial Disclosure Framework and encourage its application through the Corporate Governance Code.

Why Sustainability Reporting Will Create Long-Term Business and Investor Value

The average US public company today has a life span of approximately 30 years. Annually, one in ten fails and the average five-year mortality risk is 32%. The average age of an S&P 500 company is under 20 years, down from 60 years in the 1950s. What's going on here?

There are many reasons for shorter company life-spans, but clearly long-term strategic thinking needs revitalization, especially in today's political and environmental contexts.

Companies across the world are facing regulatory changes, externality taxes, growing demand for transparency, and high stakeholder expectations on corporate responsibility. This review is one such signal of that movement. Unfortunately, the way our current financial and accounting systems value corporate success, including the *ASX Corporate Governance Council's Principles and Recommendations*, does not always showcase the fuller picture of a company's ability to create value over time – meaning environmental, social and governance (**ESG**) gains go unnoticed and are often under-pursued. When companies only consider monetary information in finance and decision-making, they create significant blind spots on risks and opportunities – both for the investor and for society at large. Business can no longer afford to ignore these potential risks, which is why this Review is welcomed by SBA and WBCSD.

Corporate scandals and environmental disasters such as the CBA AUSTRAC review and the Samarco mining tragedy have significantly impacted large and powerful Australian companies.

The 2018 World Economic Forum Global Risks Report shows that nearly half of all major business risks are environmental. This represents a significant change from 2010 when almost all top risks where economic or social. A new report by the Universal Ecological Fund estimates that climate-related costs have totalled at least $240 billion a year over the past ten years in the United States. Sustainability challenges are an everyday business reality.

By prioritizing financial performance as the only important element of value creation, we ignore the larger impacts business may have (Porter, M. and Kramer, M. 2011, Creating Shared Value).

According to Financial Analysts Journal, *"earnings no longer reliably reflect changes in corporate value and are thus an inadequate driver of investment analysis."* In other words, much of a company's value is not actually captured in its balance sheet. This fact can distort investment opportunities and risks.

We cannot manage what we do not explore nor seek to understand. SBA is strongly of the view that it is time to start understanding the full value and full impact of corporate efforts. That's why corporate reporting is becoming a vital tool in positively impacting the world.

There are many good developments in corporate sustainability, including stronger reporting on integrated ESG and financial issues. Better reporting on these issues translates into more nuanced thinking about the relationship between nonfinancial and financial information in a company's performance profile.

According to a recent study in the U.S., 51% of American companies disclose risks related to climate change within their 10-K filings—up from 42% in 2014. Further, 32% conduct materiality assessments—up from 7% in 2014. This is palpable progress.

However, the overwhelming number of methodologies that companies use to measure and report on ESG and sustainability can be paralyzing for companies and market participants alike.

There are currently over 1,000 requirements for reporting sustainability information alone, according to the Reporting Exchange, a global resource for corporate sustainability reporting developed by our Partner, the World Business Council for Sustainable Development (**WBCSD**), in partnership with the Climate Disclosure Standards Board (**CDSB**) and Ecodesk. This represents a ten-fold increase since the Rio Earth Summit in 1992.

While this progress is welcome, it has led to a confusing and fragmented landscape for businesses, investors and regulators. Because companies aren't producing valuable and comparable sustainability reports, investors have trouble using ESG information to make capital allocation decisions. As a further result, sustainable companies aren't being rewarded as they should be.

To bridge the gap, business must work to streamline and standardize sustainability reporting to send the right signals on corporate performance, encourage sustainable behaviour, and to reward the companies who are strongest on economic, social and environmental fronts.

How?

We need to reduce complexity. Unlike financial reporting, where standards have developed over hundreds of years and are structured and rules-based, nonfinancial reporting has been uncoordinated and lacking in alignment between reporting guidelines and requirements.

As such, companies have been able to report on nonfinancial performance by any number of standards, frameworks or methodologies. This has made it tough for businesses to keep up – and has made things even more difficult for the most sustainable companies to demonstrate how they're creating value for the financial system, environment, and society as a whole.

Additionally, according to analysis by WBCSD and CDSB, there are also at least 182 different voluntary reporting frameworks that ask companies to disclose performance using different approaches and methodologies. As a result, companies may be disclosing for disclosure's sake rather than using information that's particularly meaningful, relevant or useful.

The world of corporate reporting has become so complex that companies haven't been able to signal their true long-term competitiveness to the financial system. Companies don't necessarily need to feel compelled to follow the crowd in choosing where, how and what they disclose, they should focus their reporting on the information that is relevant and material to them.

The good news is that there are new tools available to help.

The Reporting Exchange is a unique resource. For the first time ever, over 1,750 reporting requirements and resources are now organized and available within one standard online framework.

WBCSD and COSO have also released a supplemental [draft guidance on Enterprise Risk Management](), designed to help organizations worldwide respond to the increasing prevalence and severity of ESG-related risks, ranging from extreme weather events to product safety recalls.

These **Tools** are explained in greater detail in the next section of this Submission. With these tools, business leaders can zero in on key reporting requirements and use available resources to help embed sustainability into corporate and risk management approaches. This will go a long way towards improving sustainability reporting disclosure and getting important sustainability signals to market participants.
Building a more sustainable and resilient business model.

Business and accounting play a vital role in ensuring that the important material information gets measured, valued and reported to build a company's resilience. As if this were not a herculean task in itself, the exponential growth of ESG reporting provisions can make it even more confusing.

Better quality reporting practices can help safeguard against risk, identify opportunities, and ultimately help build a more sustainable business model.

Addressing the Business challenge of non-financial risk performance reporting

The WBCSD, and as its Australian Partner SBA, is committed to galvanizing the global and Australian business community to create a sustainable future for business, society and the environment. It provides a forum for its 200-member companies, and over 5,000 across its Global Network, to scale up business solutions that change the status quo.

One of the areas of focus for the WBSCD is on external disclosure projects, where we look at how businesses communicate their methods of risk management and their true performance to the outside world, and on how such disclosures facilitate the sustainability transition. By focusing specifically on environmental, social and governance (**ESG**) issues, WBCSD's work in external disclosure is starting to help business understand how sharing decision-useful and material information provokes certain responses from public, financial and investment communities.

Redefining Value is the WBSCD program that helps companies measure and manage risk, gain competitive advantage and seize new opportunities by understanding ESG information. This is achieved by building collaborations and developing tools, guidance, case studies, engagement and education opportunities to help companies integrate ESG performance into mainstream business and finance systems.

WBCSD's goal is to improve decision-making and external disclosure, eventually transforming the financial system to reward the most sustainable companies.

The program focuses in two main areas;

1. external disclosure projects, where WBCSD looks into how businesses communicate their methods of risk management and their true performance to the outside world, and
2. business decision-making projects that intend to improve internal processes to incorporate hidden costs and benefits as they relate to ESG issues.

More information on Redefining Value can be found [here]().

Reporting matters[1]
Companies face considerable pressure to produce sustainability reports from range of stakeholders. Additionally, the corporate reporting landscape is becoming progressively complex with the introduction of new standards, revised frameworks and overlapping initiative. On one hand there are an increasing disclosure requirement from regulators and investors. On the other hand, a variety of other stakeholder groups expect companies to disclose meaningful sustainability information in different formats.

Despite of the investment of time and money that companies use into their sustainability reports, they don't always capture the full benefit of sharing solid and meaningful information. Therefore, companies who clearly understand how to navigate this landscape are better positioned to meet these varied needs.

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[1] https://www.wbcsd.org/Programs/Redefining-Value/External-Disclosure/Reporting-matters

WBCSD developed *Reporting matters,* in partnership with sustainability communications consultancy Radley Yeldar, to assist improve the effectiveness of non-financial corporate reporting. Its rationale is to deliver the solution though helping business realise the value of reporting by showing how companies use the reporting process to drive change inside their businesses, while effectively meeting their stakeholder's needs. More information on Reporting matters can be found here.

Every year, WBCSD analyse sustainability reports from its member companies against a set of comprehensive indicators to track trends on a variety of external issues including alignment with the Sustainability Development Goals (SDGs). WBCSD offers all of its member companies individual feedback sessions to give personalized feedback about how and where to do better – and where to keep up the good work.

SBA introduced this as a Service to its Members in 2017.

The overall results are compiled to publish an annual overview of reporting trends, showcase good practices and provide recommendations on where to improve. In summary, the 2017 report found:

- Spanning 157 leading companies from more than 20 sectors and 35 countries, the research points to positive progress in corporate reporting and disclosure as well as a continued movement towards digital reporting.
- **74% of WBCSD member company reports reviewed improved their overall score compared to baseline year 2013, despite pressure to strike the balance between stakeholder needs and increased disclosure requirements.**
- Despite progress, however, companies still face increased pressure to report on a growing number of disclosure requirements, while also meeting the needs of a wider variety of key stakeholders. Companies must find ways to meet the challenge, making sure all reported information is concise and meaningful.
- *Reporting matters* continues to help companies meet the challenge by providing good-practice examples as well as general trends and benchmarks over the past five years. This is particularly useful to business because insights can be shared across sectors for collective improvement.

Download the report at the WBCSD web site.

Reporting Exchange[2]
During the past 25 years, there has been more than a ten-fold increase in the number of corporate reporting requirement on ESG issues, that despite of being welcome, they have increased the complexity of the reporting world. The lack of coordination represents a challenging, overwhelming and time-consuming process for companies to keep up. The absence of a standard terminology for describing and defining the components of the reporting world increment the confusion and complexity. The subsequent variability in the quality, quantity and relevance of disclosures prevents the access to information necessary for investors and stakeholders.

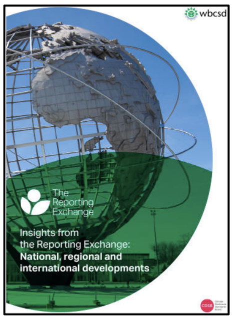
The WBCSD - developed *Reporting Exchange* is a global resource for sustainability reporting supported by a global community of experts. This free online platform brings together corporate sustainability reporting requirements and resources from 60 countries (**including Australia**) for easy access. All the information from mandatory regulation to supporting guidance, voluntary standards and stock exchange listing requirements is contained here. Built around a collaborative model, it provides space for people to contribute, share insights, good practice and learn from others. Most recently, **Reporting Exchange** has released the following relevant analysis and insights:

Insights from the Reporting Exchange: ESG reporting trends (February 2018)[3]: Compared to the development of financial reporting, the evolution of non-financial reporting has been rapid and fragmented. There are many regulations, reporting frameworks, guidance and tools which influence the corporate reporting process on environmental, social and governance issues (ESG). The resulting reporting landscape has been described in recent reports by the Business and Sustainable Development Commission and ACCA, as complex, overwhelming and there have been calls for more harmonization and alignment.

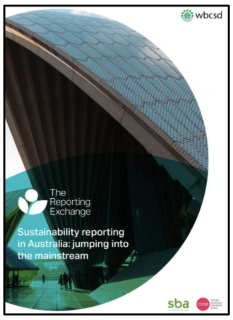
2 https://www.reportingexchange.com

3 https://www.wbcsd.org/Programs/Redefining-Value/External-Disclosure/The-Reporting-Exchange/Resources/Insights-from-the-Reporting-Exchange-ESG-reporting-trends

Insights from the Reporting Exchange: Corporate governance and harmonization (March 2018)[4]: This Paper, while collating the provisions that are part of the Reporting Exchange, looked for patterns and trends across countries, sectors and provisions. One of the most evident similarities we came across was among corporate governance codes. This paper focuses on these codes, measures their similarity and assesses the influence of the G20/OECD Principles and the Cadbury Report to better understand the processes at play in this example of corporate governance harmony.



Insights from the Reporting Exchange: National, regional and international developments (May 2018)[5]: The paper considers how national ambitions, challenges and characteristics shape corporate reporting. By looking at a range of countries collated on the Reporting Exchange, we try to understand how economic factors may or may not bring international alignment, with a specific focus on regional harmonization of the European Union (EU) in corporate reporting.



Sustainability reporting in Australia: jumping into the mainstream (June 2018)[6]: This report surveys the non-financial reporting landscape of Australia using data and insights from the Reporting Exchange. With WBCSD's Global Network Partner, Sustainable Business Australia (SBA), we explore the challenges and opportunities for corporate reporting in the country, drawing on international best practice to provide suggested steps to ensure Australia is a global leader in sustainable finance.

A virtual library in conjunction with the Global Initiative for Sustainability Ratings (GISR) (July2018)[7]: enhancing the platform's global standing as *the* most comprehensive source for sustainability reporting requirements and resources. The new ranking and ratings library helps bring clarity to the crowded ranking and ratings space through descriptive profiles that allow users to find relevant information quickly and easily. Building the Reporting Exchange to include these libraries helps users to navigate the world of corporate reporting in one comprehensive database. In the long-run, this work will support integration of sustainability information into business and investor decision-making, helping to make sustainable businesses more successful. In the future, in addition to the ranking and ratings library, the Reporting Exchange will expand to include a library of sustainability indicators by the end of this year to help users find relevant and useful environmental, social and governance indicators to use in their reporting and decision-making processes.

[4] https://www.wbcsd.org/Programs/Redefining-Value/External-Disclosure/The-Reporting-Exchange/Resources/Corporate-governance-and-harmonization
[5] https://www.wbcsd.org/Programs/Redefining-Value/External-Disclosure/The-Reporting-Exchange/Resources/National-regional-and-international-developments
[6] https://www.wbcsd.org/Programs/Redefining-Value/External-Disclosure/The-Reporting-Exchange/Resources/Sustainability-reporting-in-Australia
[7] https://www.wbcsd.org/Programs/Redefining-Value/External-Disclosure/The-Reporting-Exchange/News/Expanding-the-reporting-exchange-to-include-comprehensive-data-on-ratings-and-rankings

Specific Comments on the Recommendations

Recommendations	Comments
Recommendation 1.1: A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	
Recommendation 1.2: A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	
Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment	
Recommendation 1.4: The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	
Recommendation 1.5: A listed entity should: (a) have and disclose a diversity policy; (b) through its board or a committee of the board: (i) set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally;	**SBA strongly supports** the proposed amendments to Recommendation 1.5. 84 companies in the ASX 200 now have boards with 30% or more women, there are close to 60 ASX 200 companies that have just one woman on their board, there are three companies that have no women on their board.[8] **SBA agrees** that: • **Listed entities should set measurable gender diversity objectives: We agree with the** ASX Corporate Governance Council that suggests that for a diversity policy to be effective, the listed

[8] The Australian Institute of Company Directors, 30% by 2018: Gender diversity progress report (March - May 2018) lists five companies that had no women on their boards as at 31 May 2018. Since that time, Ausdrill Limited and Ardent Leisure Group have appointed female board members.

(ii) charge management with designing, implementing and maintaining programs and initiatives to help achieve those measurable objectives; and (iii) review with management at least annually the entity's progress towards achieving those measurable objectives and the adequacy of the entity's programs and initiatives in that regard; and (c) disclose in relation to each reporting period: (i) the measurable objectives for achieving gender diversity set by the board or a committee of the board; (ii) the entity's progress towards achieving the measurable objectives; (iii) whether the review referred to in (b)(iii) above has taken place; and (iv) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. If the entity was in the S&P / ASX 300 index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30%[28] of its directors of each gender within a specified period.	entity should be setting numerical targets to be achieved within a specified timeframe. It suggests that the board or committee of the board consider setting key performance indicators for senior executives on gender participation in the workplace. • **The measurable objective should be to achieve a board with at least 30% of its directors being of each gender:** Recommendation 1.3 recommends that entities in the S&P / ASX 300 set measurable objectives for achieving gender diversity in the composition of their boards so that not less than 30% of its directors are of a particular gender. The effect of this is to encourage greater participation of women on the boards of listed entities. However, with S&P / ASX 200 already at 28% and for the top 300 it is at 24.6% the recommendation is incrementalism, not transformational. • **Listed entity's gender diversity objectives should be targeted to enhance gender diversity at all levels of the workforce not just the board:** The measurable objectives should target at achieving gender diversity in the composition of the entity's senior executive team and workforce generally, as well as in the composition of the board. **SBA also welcomes** the guidance provided in the commentary that board of listed entities should consider board diversity beyond gender, to also encourage diversity of skills, qualifications, age and ethnicity. A representation of diverse skills, experience and qualifications will ensure well-rounded and better informed decision-making. **SBA recommends** that the Code encourage listed entities to consider**:** • disclosing insights from the annual review and changes it has made as a result to demonstrate the effectiveness of the review and any changes it as made as a result to demonstrate the effectiveness of the review and initiatives it undertakes to achieve the entity's diversity objective. • disclosing their gender pay gap to progress equal pay.
Recommendation 1.6: A listed entity should: (a) have and disclose a process for evaluating the performance of the board, its committees and individual directors for each reporting period; and (b) disclose, for each reporting period, whether a performance evaluation was undertaken in accordance with that process.	**SBA welcomes** this recommendation. **SBA recommends** the commentary be expanded to encourage boards to disclose how insights from board performance evaluations have been utilised to improve board effectiveness. By disclosing results of board performance evaluations, there is an assurance provided that the skills and effectiveness of the board is being monitored.
Recommendation 1.7:	

A listed entity should: (a) have and disclose a process for evaluating the performance of its senior executives for each reporting period; and (b) disclose, for each reporting period, whether a performance evaluation was undertaken in accordance with that process.	
Recommendation 2.1: The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	
Recommendation 2.2: A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	**SBA recommends** that the Code give direction that Board skills may need to include competence in cyber-security**:** The proposed amendments include that a listed entity should cover the skills needed to address emerging governance and business issues including cyber-security and climate change, with which we agree.
Recommendation 2.3: A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, affiliation or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the	

independence of the director, the nature of the interest, position, affiliation or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	
Recommendation 2.4: A majority of the board of a listed entity should be independent directors.	
Recommendation 2.5: The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	
Recommendation 2.6: A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	
Recommendation 2.7: A listed entity with a director who is not fluent in the language in which board or security holder meetings are held or key documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	
Recommendation 3.1: A listed entity should articulate and disclose its core values.	**SBA strongly supports** the revision of Principle 3 to include the statement that *"(a) listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and In* ***a socially responsible*** *manner".* **SBA welcomes:** • the acknowledgement in Principle 3 that social licence to operate is a highly valuable asset of a listed entity. • The examples of ESG issues provided in the commentary, that must be managed for companies to be considered 'good corporate citizens' • that listed entities should take into account a broader range of stakeholders: We strongly agree with the commentary added by the ASX Corporate Governance Council that the board and management of a listed entity should be required to have regard to the views and interests of a broader range of stakeholders not just the entity's securityholders including employees,

	customers, suppliers, creditors, regulators, consumers, tax payers and the local communities in which the entity operates. • That listed entities must have a statement of core values: In addition to having a code of conduct, an entity must also frame and disclose its core values which SBA suggests may include values such as ambition, innovation, ethics and honesty, integrity and accountability and all staff should receive training on the entity's core values. • That listed entities are required to ensure the board is informed of all material breaches which call into question the code of conduct: SBA sees the board as integral in setting the tone of the entity and accordingly makes it incumbent on the board to ensure that it is informed of any material breaches of the entity's code of conduct by a director or senior executive and of any other material breaches of that code that call into question the culture of the organisation. **SBA strongly agrees** with the focus on corporate culture in Principle 3, as a intrinsic to business value. We also agree with the Council's timing of the incorporation of this principle.
Recommendation 3.2: A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board is informed of: (1) any material breaches of that code by a director or senior executive; and (2) any other material breaches of that code that call into question the culture of the organisation.	We refer to our comments in respect of Recommendation 3.1 **SBA supports** the recommendation for listed entities to have and disclose a whistle-blower policy, and we support that the whistle-blower policy should serve all of the functions outlined in the commentary. Disclosure of a whistle-blowing policy provides assurance to investors that companies have mechanisms to manage anti-bribery and corruption and misconduct risks. **SBA also supports** the commentary which outlines that the whistle-blower policy should incorporate a periodic audit or review to check if whistle-blower reports are appropriately recorded, investigated and responded to.
Recommendation 3.3 A listed entity should: (a) have and disclose a whistleblower policy that encourages employees to come forward with concerns that the entity is not acting lawfully, ethically or in a socially responsible manner and provides suitable protections if they do; and (b) ensure that the board is informed of any material concerns raised under that policy that call into question the culture of the organisation.	We refer to our comments in respect of Recommendation 3.1 **SBA welcomes** the recommendation that listed entities should be required to disclose an anti- bribery and corruption policy, and we support that the anti-bribery and corruption policy should serve all of the functions outlined in the commentary.
Recommendation 3.4 A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and	We refer to our comments in respect of Recommendation 3.1.

(b) ensure that the board is informed of any material breaches of that policy.	
Recommendation 4.1: The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	
Recommendation 4.2: The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	We refer to our comments in respect of Recommendation 3.1
Recommendation 4.3: A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	We refer to our comments in respect of Recommendation 3.1

Recommendation 4.4: A listed entity should have and disclose its process to validate that its annual directors' report and any other corporate reports it releases to the market are accurate, balanced and understandable and provide investors with appropriate information to make informed investment decisions.	**SBA welcomes** the acknowledgement of 'integrated reporting' as a useful framework for providing information about a listed entity's future prospects, risks and opportunities, strategy and business model in the commentary to recommendation 4.4. **SBA supports** the introduction of this new recommendation for the annual director's report and other corporate reports which are not subject to external assurance, are subject to appropriate process to validate that the report is accurate, balanced and understandable in order to facilitate informed investment decision making. **SBA considers** that this recommendation is intended to deal with corporate reporting where previous recommendations dealt broadly with financial reporting only. Entities should consider if their current committees and the roles of those committees as stated in their charters adequately deal with recommendation 4.4. Traditionally the remuneration committee of larger companies would be tasked with reviewing and ensuring the accuracy of the directors' report (including the remuneration report). Entitles may need to update the scope of existing charters to be compliant with this recommendation. **SBA agrees** with the recommendation that listed entities should consider adopting integrated reporting and consider processes for validating periodic disclosure: The commentary around Recommendation 4.4 asks directors to consider the principles of integrated reporting which would give investors information about the listed entity's future prospects, risks and opportunities, strategy and business model. In the 2017 WBCSD *Reporting matters* Report, 34% of WBCSD member company reports reviewed combine financial and non-financial information, up from 23% in 2013. And 22% specifically cite the International Integrated Reporting Framework. On average, self-declared integrated reports scored better than other forms of reporting. WBCSD found that: • in 2017, 90% (2013:86%) of reports reviewed also have some form of assurance on their sustainability disclosures, through external assurance or internal audit assurance. • Only 17% of companies do not engage external assurance providers but use their internal audit function for assurance purposes. This proportion has decreased since 2013 (2013: 22%). • Only 10% of companies do not use any assurance provision at all, which is a positive development compared to 2013 (14%). • The dominant form of external assurance is to a limited level (57%), with only about 6% of companies seeking reasonable assurance

	(recognized as the most extensive form). However, the proportion of companies using reasonable assurance has increased since 2013 (3%), suggesting a growing preference for more comprehensive validation. • About 11% of reports use a combination of reasonable and limited assurance and a very small percentage confirm that they use external assurance (2%) but don't disclose any details about the level of assurance. • Reports with a reasonable or combined level of reasonable and limited assurance score higher than the rest of the population on average.[9] This Recommendation therefore will require listed Australian entities to revisit their periodic reporting processes and systems and consider whether further resources and procedures should be put in place to ensure periodic reports are appropriately "validated" but is entirely in accordance with emerging leading global practice. **SBA recommends** the commentary clarifies non-prescriptive examples of how entities should adopt a fit for purpose validation process, borrowing from existing frameworks and standards. In addition, we recommend the Council clarifies what if any difference is implied by the proposed change in wording in the Principle from "independently verify and safeguard" to "validate".
Recommendation 5.1: A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under Listing Rule 3.1.	
Recommendation 5.2: A listed entity should ensure that its board receives copies of all announcements under Listing Rule 3.1 promptly after they have been made.	
Recommendation 5.3: A listed entity that gives a new investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	
Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.	

9 http://docs.wbcsd.org/2017/10/WBCSD_Reporting_matters_2017_interactive.pdf

Recommendation 6.2: A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	
Recommendation 6.3: A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	
Recommendation 6.4: A listed entity should ensure that all resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	**SBA considers** that listed entities should consider a Meetings Policy to consider when a poll is to be called and expanding these rules in its constitution. Where the pre-meeting proxy results indicate a resounding view that cannot mathematically be reversed at the meeting, a show of hands may remain appropriate. In advance of the principle being adopted, Companies should consider their rationale and relative costs of conducting polls and the impact on their standard meeting format.
Recommendation 6.5: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	
Recommendation 7.1: The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	
Recommendation 7.2: The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and	

that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	
Recommendation 7.3: A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	
Recommendation 7.4: A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks. Additional information available in the *Review*: • amendments to **recommendation 7.4** (sustainability disclosures) to refer to "environmental and social risks" rather than "economic, environmental and social sustainability risks", plus amendments to the commentary to that recommendation: – acknowledging that a listed entity's "social licence to operate" is one of its most valuable assets and that the licence can be lost or seriously damaged if the entity conducts its business in a way that is not environmentally or socially responsible; – replacing the current statement in the commentary that to make the disclosures called for under this recommendation does not require a listed entity to publish a "sustainability report", but an entity that does publish a sustainability report may meet this recommendation simply by cross-referring to that report, with:	**SBA welcomes** this Recommendation. Investors are required to consider all financially material factors in their investment decision-making, consistent with time horizon of the investment liabilities of superannuation members. Financially material factors include environmental and social risks across a range of investment time frames. Improved company disclosure of environmental and social risks enables investors to make better informed decisions about risk exposure and opportunities in their investment portfolios, and therefore execute their fiduciary duty to act in the best interests of clients and beneficiaries. **SBA strongly supports** reference to climate related risks in the commentary of Recommendation 7.4. **SBA agrees** that: • **Listed entities should give more consideration as to how their business may be affected by climate change risks:** SBA urges entities to consider carefully the environmental and social risks faced by them which will in particular include considerations as to the source of environmental risk relating to climate change, which will impact many listed entities even where they are not directly involved in mining or consuming fossil fuels. For example, entities should consider how their operations are impacted by things such as changes in climate patterns, the risks arising from changes in legislation or government policy and the need to facilitate the shift to a lower carbon economy. • **Listed entities should implement further measures where there is material exposure to climate change risk:** SBA considers that listed entities with material exposure to climate change risk implement the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

"To make the disclosures called for under this recommendation does not require a listed entity to publish an "integrated report" or "sustainability report". However an entity that does publish an integrated report in accordance with the International Integrated Reporting Council's International <IR> Framework, or a sustainability report in accordance with a recognised international standard, may meet this recommendation simply by cross-referring to that report." – adding a suggestion that entities that believe they do not have any material exposure to environmental and social risks should consider carefully their basis for that belief and benchmark their disclosures in this regard against those made by their peers; – as recommended in the Senate Economics References Committee report on Climate Risk Disclosure, giving greater guidance on the disclosure of climate change risk (also referred to as "carbon risk"), including: o explaining the different types of climate change risk (physical risks, transition risks and liability risks); o noting that many listed entities will be exposed to these types of risks, even where they are not directly involved in mining or consuming fossil fuels; and o suggesting that listed entities with material exposure to climate change risk implement the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures;	• **A board's skill matrix should consider whether skills in tackling climate change is required:** The addition commentary added to Recommendation 2.2 lists climate change as an emerging issue and one that should be considered by a board when developing the skills matrix. **SBA recommends** that ASX endorse the TCFD framework and encourage its use through the Corporate Governance Code. The TCFD framework outlines information that is required for disclosure and will help directors at ASX listed companies to reduce the likelihood of future exposure to legal liability for failing to assess and manage climate risk. In addition, the TCFD framework is explicitly already referenced in commentary to the UK Corporate Governance Code and is supported by 300 companies including 12 stock exchanges[14] with a combined market capitalisation of over US$6.3 trillion, including 150 financial institutions responsible for assets of over US$81 trillion.
Recommendation 8.1: The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director,	

and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	
Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	
Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	
Recommendation 8.4: A listed entity should only enter into an agreement for the provision of consultancy or similar services by a director or senior executive or by a related party of a director or senior executive: (a) if it has independent advice that: (i) the services being provided are outside the ordinary scope of their duties as a director or senior executive (as applicable); (ii) the agreement is on arm’s length terms; and (iii) the remuneration payable under it is reasonable; and (b) with full disclosure of the material terms to security holders.	

About SBA
SBA was established in Australia in 1991 and is the peak body for support and advocacy for sustainable business activities in Australia. In 2014 SBA was appointed Australia's Global Partner for World Business Council for Sustainable Development (**WBCSD**).

SBA's members include leading Australian businesses and organisations, from all sectors, who share a commitment and see a business role to Australia's strong, sustainable, balanced, and inclusive growth. SBA represents member companies, public sector enterprises and institutions, BINGOs and community organisations, which in turn represent 100,000 + Australian employees. www.sba.asn.au.

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About WBCSD
WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. We help make our member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

Our member companies come from all business sectors and all major economies, a combined revenue $8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe.

WBCSD is uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability: united by our vision of a world where more than 9 billion people are all living well and within the boundaries of our planet, by 2050. www.wbcsd.org