

Australian Business Reporting Leaders Forum

Ms Elizabeth Johnstone
Chairman
Australian Stock Exchange Corporate Governance Council
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by email: mavis.tan@asx.com.au

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Dear Elizabeth

ASX Corporate Governance Principles and Recommendations 4rd Edition Feedback

Thank you for the opportunity to review and provide feedback on the ASX Corporate Governance Council's proposed 4th edition of its Corporate Governance Principles and Recommendations (**CG P&R**).

Business Reporting Leaders Forum (BRLF)

I write to you in my capacity as Chairman of the Australian Business Reporting Leaders Forum (BRLF), which was established in 2010 and is an open forum where members of the corporate reporting supply chain meet to consider trends and issues in relation to corporate reporting, and explore solutions suited to Australian capital markets and all stakeholders of a corporation.

The BRLF is focused on making corporate reporting more conducive to investment and good business practice and streamlining its current volume and complexity. It believes that corporate reporting reform has a critical role to play in supporting a number of important change agenda items.

ASX Corporate Governance Principles and Recommendations 4th Edition

In our view, the ASX Corporate Governance Principles and Recommendations – 4th edition overall, and Recommendation 4.4 in particular, will be a catalyst for boards and executives to rethink how they report to investors and other key stakeholders to enhance transparency and re-build corporate trust.

The key changes within the draft 4th Edition focus on the board's responsibility to be actively engaged in setting and monitoring strategy in a more holistic manner, ensuring that their organisation effectively manages, monitors and reports on diversity, culture, social licence and the impact of climate change. The changes will drive board members to consider not only 'are we doing things right?' but also, 'are we doing the right thing?'

The 4th edition stands to bring Australian corporate governance principles into line with world best practice. We recommend that the substance of the CG P&R be maintained intact, however we do have some suggested wording changes to Recommendation 4.4 outlined below.

The primary reason for these proposed changes is to clarify that integrated reporting (focused on business strategy and long term value creation) is not inter-changeable with sustainability reporting (focused mainly on environmental and social risk). It is true that certain material information in a sustainability report may be relevant for the integrated report, but in the context of the totality of business strategy and value creation and preservation.

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We have also recommended that listed entities define their ‘corporate reports portfolio’ and explain where component reports can be found, so that security holders and other stakeholders can find and review relevant information reviewed and released by the board.

Recommended wording changes to Recommendation 4.4 (in red)

Recommendation 4.4

A listed entity should have and disclose its process to validate that its annual directors’ report and any other ‘corporate reports’ (Principle 4.4) it releases to the market are accurate, balanced and provide **security holders and other key stakeholders** with **sufficient** information to make informed investment decisions. **A listed entity should also disclose where those reports, making up its corporate reports portfolio, are located.**

Commentary

To understand a listed entity’s performance and prospects, in addition to the historical financial information included in its annual financial report, the market needs the current and forward looking information usually included in the annual directors’ report.

For listed entities established in Australia, the operating and financial review included in the annual directors’ report must contain information that security holders reasonably require to make an informed assessment of the entity’s operations, financial position, business strategies, **performance**, and prospects for future financial years.

Integrated reporting (footnote 1) is a useful basis for preparing operating and financial reviews to provide **security holders and other key stakeholders** with information about a listed entity’s **performance**, future prospects, risks and opportunities, strategy and the business model. **Some entities’ corporate reporting includes the publication of an annual review, separate integrated report and/or sustainability report. The GRI (footnote 2) standards provide useful guidance for sustainability reporting, and, where material, for sustainability disclosures in an entity’s integrated report.**

Where the annual directors’ report, integrated report or other **corporate reporting** is not subject to assurance by an entity’s external auditor, the entity should have appropriate processes in place to validate that the report is accurate, balanced and understandable and provides **information necessary for security holders and other key stakeholders to assess the listed entity’s position, performance and prospects as well as its business model and strategy.**

These processes should be disclosed to assist the market in assessing the quality of the information included in these corporate reports.

Footnotes

1. The International Integrated Reporting <IR> Framework issued by the International Integrated Reporting Council provides useful guidance to use in applying integrated reporting concepts.

2. GRI Sustainability Reporting Standards issued by the Global Reporting Initiative in 2016 provides useful guidance for preparing a sustainability report.

Concluding Remarks

As noted above, we welcome the Council’s proposed update of the CG P&R to ensure they remain relevant, reflect today’s challenging environment and current best practice in corporate reporting, and make a positive contribution to Australian business and capital markets.

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Our response focuses on the specific agenda of the BRLF, in this case, corporate reporting reform through Recommendation 4.4. Other sections of the draft 4th Edition deal with specific improvements that may also impact corporate reporting, to the extent that they are material for disclosure through the board approved reports portfolio.

Thank you for the opportunity to provide feedback and we would welcome the opportunity to provide further feedback or support should you require.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Stanhope', written in a cursive style.

John Stanhope

Chairman