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14 November 2013

Mavis Tan
Senior Executive Officer,
ASX Markets Supervision
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Email: mavis.tan@asx.com.au

Dear Ms Tan,

Re: Corporate Governance Principles and Recommendations

This letter is in response to the ASX Corporate Governance Council consultation paper on a proposed third edition of the Corporate Governance Principles and Recommendations, issued 16 August 2013. We also note that we have contributed to and support the Financial Services Council's submission on the consultation.

At Colonial First State Global Asset Management (CFSGAM) we support the ASX Corporate Governance Principles and Recommendations and are grateful for the opportunity to comment. **We believe that collaboration among industry participants is essential to help achieve sustainable financial markets and a sustainable economy.** The core principle guiding our response is a desire for the investment industry in Australia to adopt the highest standards of stewardship on behalf of investors' interests.

CFSGAM is one of Australia's largest managers of Australian sourced funds, with more than A\$173 billion in funds under management across a diverse range of asset classes including Australian and global equities, short term investments, fixed interest and credit, property securities, global resources, and listed infrastructure.

We would be happy to meet with the ASX Corporate Governance Council and provide further information on our feedback. Should you have any questions, please do not hesitate to contact Pablo Berrutti, Head of Responsible Investment Asia Pacific, on 02 93030433 or at pablo.berrutti@colonialfirststate.com.au.

Yours sincerely



David Dixon
Chief Investment Officer

CFSGAM response to the ASX Corporate Governance Council consultation paper

Principle 3

Principle three seeks to link ethical and responsible decision-making with long-term value creation for shareholders. We agree with the proposition but believe the wording could be made clearer by rewording as follows:

*A listed entity should actively promote ethical and responsible decision-making **by having regard for the legitimate interests of all stakeholders while seeking**, ~~consistent with creating~~ **to create** long-term value for security holders."*

Recommendation 3.1

We believe that a code of conduct should be disclosed in its entirety, as we see no commercial or other reason why a company would refrain from doing so. Further, an abridged code of conduct may (willingly or otherwise) omit relevant information or caveats. Consequently, we suggest that the option to disclose a summary code of conduct is removed, as highlighted in the example below:

3.1 A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and*
- (b) disclose that code, ~~or a summary of it.~~*

Recommendation 6.2

The recommendation or the explanatory notes should be reworded to make clear that communications programs should include both company management and the board, as highlighted in red below:

*A listed entity, **via its senior management and board of directors**, should design and implement an investor relations program to facilitate effective two-way communication with investors.*

Recommendation 7.4

The Corporate Governance Principles in note 88 refer to the integrated reporting framework as needing to be 'much better developed' before companies should be expected to report to that standard. In our view this understates how much progress has been made with the framework and does not sufficiently express the long-term importance of moving towards integrated reporting to more holistically capture corporate performance. Suggest the wording is changed in Note 88 to reflect this. For example:

The Corporate Governance Council continues to monitor developments in integrated reporting. The Corporate Governance Council recognises that the integrated reporting initiative is currently the leading effort in evolving corporate reporting standards and is well supported by a range of standard setting organisations, leading companies and investors. Consequently the Corporate Governance Council expects that integrated reporting will continue to gain prominence and acceptance.

While the reporting standard is being finalised the Corporate Governance Council considers that it is reasonable for companies to use the integrated reporting consultation draft as a reference document to help frame their responses to the principles and their annual reporting more broadly. The council believes this will better prepare companies for a shift towards integrated reporting in future. This would be particularly relevant for responses to principles four and seven but can be applied throughout.

Until the Integrated Reporting framework is finalised, the recommendation or the explanatory notes should also be clearer on what is expected from these disclosures. The FSC/ACSI ESG Reporting Guide for Australian Companies is a good reference point in this regard and we would suggest including:

- an explanation of the process for identifying material issues including stakeholder engagement
- an explanation of the process(es) for prioritising and integrating sustainability factors (including measuring performance) into the business; and
- the approach to reporting and disclosure.

Recommendation 8.3

The recommendation is based on the Australian Government's proposals to require the disclosure of clawback arrangements for material misstatements of financial results in the company's financial statements'

We believe a 'material misstatement of financial results in the company's financial statements' is not the only reason boards may wish to have arrangements for the clawback of performance-based pay. We believe that recommendation 8.3 allows this flexibility, however the explanatory notes should also make this clear rather than focusing on the narrower requirements.