

SNS Asset Management

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Subject ASX public consultation on proposed changes to ASX Listing Rules and Guidance Note 9, as well as ASX Corporate Governance Council's proposed third addition of the Principles and Recommendations

Dear Ms. Tan,

SNS Asset Management welcomes the opportunity to comment on the proposed changes and amendments to the ASX Listing Rules and Guidance Note 9, as well as the proposed third addition of the Corporate Governance Council's Principles and Recommendations. SNS Asset Management (SNS AM) is the investment manager of the financial services group SNS REAAL, a bank-insurance company in the Netherlands. SNS AM has approximately EUR 44.3 billion in assets under management (as of 30 June 2013) and is a pioneer in responsible institutional asset management.

SNS AM is dedicated to adding long-term value for our clients and therefore pays particular attention to key areas of responsible ownership. Accordingly, we engage with companies, industry organisations, investor groups and regulatory bodies to encourage environmental, social and governance (ESG) best practices globally. Part of this work includes participating in the Sustainable Stock Exchanges Investor Working Group, which encourages stock exchanges to consider their role in promoting improved ESG or sustainability reporting amongst their listed companies.

We therefore commend the ASX Corporate Governance Council for taking up this review of the Governance Principles and Recommendations and the ASX for reviewing its Listing Rules so as to facilitate the implementation of the Principles and Recommendations.

Please find below our views on the consultation papers mentioned above:

ASX Listing Rules – Introduction of Appendix 4G

A noteworthy change in the proposed new Listing Rules is the addition of Appendix 4G. We appreciate the introduction, as it provides a key to where relevant governance disclosures can be found. We also acknowledge that it is likely to mitigate potential issues which may arise from the increased disclosure flexibility of the proposed Principles and Recommendations. While it may be seen as a further administrative burden for companies who disclose thoroughly, we believe this is outweighed by the fact that it may prevent reporting laggards from falling further behind. We also find that it is pro-investor, as it will allow us to more readily access key information.

Corporate Governance Principles and Recommendations- – ‘Lay solid foundations for management and oversight’ (Principle 1)

We strongly believe that board composition should clearly reflect the strategic needs of a company, as defined by its operations, phase of development and current situation. Surprisingly, it happens more often than you would expect that boards do not meet this criteria. Thus, we recommend that companies should be encouraged to make a clear link between the board evaluation results, the development and circumstances of the company, and the skills and experience of proposed board candidates. We further suggest that you consider including in the Principles and Recommendations a requirement for improved disclosure of relevant specific skills, rather than general skills, of a proposed candidate and how these match the needs of the board as identified in the board evaluation.

Corporate Governance Principles and Recommendations - Introduction of new and strengthened recommendations relating to risk management and associated disclosure (Principle 7).

This principle includes a new recommendation, ‘7.4’, which will require listed entities to disclose whether, and if so, how they have considered economic, environmental and social sustainability risks. Businesses and investors are looking more closely at the environmental and social issues associated with their investments. Therefore, we warmly welcome the move by the ASX to incorporate these concerns. However, we believe that more guidance on reporting extra-financial matters will be necessary.

We are mindful of a growing trend to encourage or require extra-financial or integrated reporting. Work by the Sustainable Stock Exchanges Initiative and the International Integrated Reporting Council (“IIRC”), as well as the ASX proposal and recent rule-making in Europe all indicate that companies need to prepare themselves to be able to provide increasingly meaningful, material and integrated ESG/sustainability information. As global investors, we are in favour of comparable, easy to find data that makes it as easy as possible for companies to provide the information we’re looking for. We would therefore suggest that the ASX seek to align its guidance as much as possible with other reporting initiatives and developments to help promote consistency across markets.

For example, the IIRC is scheduled to publish its international framework in December 2013. Only four Australian issuers have signed up to the IIRC pilot programme, which highlights how, with the exception of climate change risk, Australian companies are at risk of lagging behind and could face considerable challenges in this area (for example, related to procedures, information, management, and data collection).

We hope you find these comments helpful. Please feel free to contact us if you would like to discuss any of the points made above.

Yours sincerely,


(Manuel Adamini)

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