

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

27 July 2018

PRINCIPAL MEMBERS



Dear Ms Tan,

Thank you for the opportunity to provide comment on the ASX Corporate Governance Council's Principles and Recommendations.

The GRC Institute is a membership based organisation for compliance and risk professionals throughout Australia, New Zealand and Hong Kong. Our members work for a variety of organisations both within financial services and much wider.

Our submission to this consultation paper has been put together based on our years of experience with our members' working with organisations and their feedback on their experiences with building and supporting good governance frameworks in their organisations through their compliance and risk efforts. We will attempt to be practical and constructive in our response to this draft and provide insights from our members' experience, successes and failures.

General feedback:

Our strongest feedback on this consultation would be to encourage the ASX to consider more overtly including requirements around demonstrating compliance frameworks and support in Principles 3 and 7. Whilst we agree that it is absolutely necessary to ask for an organisation to act ethically and responsibly, beyond 'letter of the law' compliance, this does not reflect modern compliance professional practices, which can, and should, support ethical and broader compliance and governance objectives.

GRCI feels that the inclusion of overt requirements about demonstrating valuing and implementing a framework to support compliance, and thereby ethical behaviour and social responsibility, will provide a practical way forward for both the entity to achieve the outcomes that the ASX is seeking and something measurable for the ASX to reference when attempting to understand the efforts of an entity to meet these expectations.

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These inclusions do not need to be overly prescriptive but emphasising ethics and risk management, without reference to key behavioural risks that would be addressed by a competent compliance framework, leaves both the ASX and the entity with no tangible, measurable way of addressing the requirements or understanding if they have been achieved and leaves out of the loop the most competent professionals to achieve the objectives. Qualified compliance professionals consistently strive to achieve levels of behaviour and policies and procedures above and beyond regulatory expectations, many of which reflect higher standard ethical behaviours expected of the market and customers.

Specific feedback:

GRCI would suggest the inclusion of a suggestion with in Principle 3 that an entity be able to demonstrate a *compliance framework* to support ethical and responsible behaviours and their code of conduct. It is only one step in the process to create a code of conduct, it is a sophisticated, complex and specialised skill set that can assist an organisation with making sure that code is a 'living' document for all staff, from directors down. This inclusion could be achieved by additional explicit wording in the principle or within Box 3.1, including a point that asks the entity to be able to demonstrate the compliance framework to support the code of conduct, including suggesting appropriate qualifications, seniority and reporting lines for the compliance professionals charged with supporting this framework. Without these clarifications, GRCI is concerned that the entity will not appropriately delegate the tasks necessary to achieve these objectives, or alternately, it would create additional administrative burdens when the entity may already have a compliance function that could (and may already) incorporate these ideas in their framework.

To further support the behaviours the ASX is looking for, Principle 7 should also include an overt reference to compliance risk and a compliance committee requirement. The current wording allows for the trend amongst entities to subsume compliance within risk. This *can* be done without devaluing compliance or ignoring these risks but unfortunately, this is not always the case and without overtly asking for these considerations, the ASX may be unconsciously encouraging entities to consider compliance as only one risk among many, whereas compliance, ethics and responsible behaviours are many risks amongst many, not simply one risk reporting line in a larger risk management matrix. Good compliance contributes to many positive risk outcomes and to managing many risks, however if it is not considered at the appropriate level of priority, the ASX will not see the outcomes it is looking for.

This submission has been compiled from GRCI member feedback and with the valuable contribution of GRCI's Hong Kong Representative, Dr Angus Young.

We would love to discuss our submission further, should you have any questions we can be contacted directly via our Sydney office.

Kind Regards,

A handwritten signature in black ink that reads "Naomi Burley". The signature is written in a cursive, flowing style.

Naomi Burley
Managing Director
GRCI