

1 June 2010

Mr Eric Mayne
Chair – ASX Corporate Governance Council
C/ – ASX Regulatory & Public Policy Unit
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Business
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By email: regulatorypolicy@asx.com.au

Dear Mr Mayne

EXPOSURE DRAFT IN RELATION TO PROPOSED AMENDMENTS TO THE ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS (SECOND EDITION)

The Business Council of Australia (BCA) welcomes the opportunity to make this submission to the ASX Corporate Governance Council's (the Council's) Exposure Draft of proposed amendments to the Corporate Governance Principles and Recommendations (Principles).

The BCA welcomes efforts of the Council to review and update the Principles with the aim of ensuring they remain relevant over time and consistent with other regulatory regimes. The Principles are an important tool for encouraging companies to achieve excellence in their standards of corporate governance.

In general, the BCA supports the refinements to the Principles. We consider the changes strike the right balance between promoting better corporate governance practices whilst maintaining the flexibility for companies to operate competitively.

In particular, the BCA supports the proposed amendments which seek to encourage greater gender diversity in the workplace, including requiring companies to develop a diversity policy and annual reporting on the proportion of women employees at all levels of the organisation.

The BCA believes that there is an unacceptably low level of women at board and executive level positions within Australia. In an attempt to address this shortcoming, the BCA has established the "C Suite" Project, a pilot scheme in which leading CEOs who are BCA members will personally mentor high-achieving women employed by other BCA member companies. The 12 month pilot will identify talented women and open up pathways to facilitate their ascension to positions of greater corporate influence.

Against this background, the BCA strongly supports the proposed amendments to the Principles as they complement and support work being done by organisations such as the BCA and Australian Institute of Company Directors to improve gender diversity in the workplace.

Whilst the BCA supports the intention of the proposed amendments contained in the Exposure Draft, several specific changes are suggested to ensure the frameworks for improving gender diversity in the workplace are effective in practice.

The BCA supports the proposal that companies should establish measurable objectives for the achievement of gender diversity at all levels of the company. However, it would be unusual for the detail of such objectives to be included in the gender diversity policy, because the policy itself is less flexible and capable of amendment to deal with changing circumstances. Accordingly, the BCA supports the Law Council's amendments to Recommendation 3.2 as follows:

“Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and to assess annually both the objectives and progress in achieving them.”

We consider that it is important that the Council provides commentary around Recommendation 3.2 on what the term ‘measurable objectives’ means. Simple targets for the proportion of females in the workplace may not be the most appropriate means by which an organisation can increase gender diversity. For example, measurable objectives can include the creation of programs that establish distinct pathways for women to executive level, offering management training to a certain proportion of women or the creation of family friendly work policies. Accordingly, the Principles could explain that proportional targets are not the only way that companies can address gender diversity issues.

The BCA supports the intention of Recommendation 3.4, but considers the second sentence of the Recommendation – reporting on a ‘full-time equivalent basis’ – may not be appropriate given the different types of work arrangements that currently exist. The BCA considers that the second sentence of Recommendation 3.4 could be deleted. Instead, commentary could make it clear that companies should consider reporting measures that are appropriate for their organisation.

In this context, the BCA agrees with the proposed amendments to the second paragraph of the commentary, suggested by the Law Council, as follows:

“Companies should consider, in the context of the economic group controlled by the company, how best to report to achieve an accurate and not misleading impression of the relative participation of women and men in the workplace, and the roles in which they are employed; for instance, whether a full-time equivalent measure is appropriate in all or some circumstances as opposed to clear categorisation of full-time, part-time and contracted services, whether the participation is in a leadership, management, professional specialty or supporting role, or by relative participation of men and women at different remuneration bands.”

The BCA supports the efforts of the Council to update the Principles to reflect significant changes to Australia's corporate governance environment. The BCA would be happy to discuss the issues raised in this submission.

If you have any queries, please contact Leanne Edwards, Assistant Director – Regulatory Affairs, on (03) 8664 2614 or leanne.edwards@bca.com.au.

Yours sincerely



Peter Crone
Director Policy