

11 December 2000

The Secretary
Parliamentary Joint Statutory Committee on Corporations and Securities
Suite SG 60
Parliament House
Canberra ACT 2600

Dear Sir or Madam,

SUBMISSION TO THE PARLIAMENTARY JOINT STATUTORY COMMITTEE ON CORPORATIONS AND SECURITIES

Inquiry into Corporate Code of Conduct Bill 2000

FROM THE CPA AUSTRALIA'S ETHICS & CORPORATE GOVERNANCE CENTRE OF EXCELLENCE

CPA Australia supports the spirit of the proposed Act and believes this is a step in the right direction to achieve greater corporate accountability and long term sustainability. However, it is necessary to ensure that the legislative requirements imposed on extraterritorial operations are no more onerous than legislative requirements imposed on Australian operations. This is particularly important when assessing the impact of operations on the environment, which includes people and communities. The proposed legislation on page 2.14-16 does state that an Australian company is "not required to take any action to meet the requirements of this Act in respect of its operations in a foreign country that it would not be required to take in respect of its operations in Australia". This object is fully supported as the proposed legislation should not impose a higher duty than contained in current Australian legislation.

Amendments which may be considered, include:

Part 1. Preliminary

Section 3 Objects of Act

Page 2.8-9 The coverage is too restricted. Many very large organizations would employ less than 100 people at various offshore sites, particularly in capital intensive industries. This should be changed to '50 or more persons'.

There needs to be some mechanism so that small and medium sized organisations 'employing or engaging the services of less than 50 persons in a country other than Australia' are brought within the ambit of the Bill. It is acknowledged that the resources required to comply with certain reporting requirements can be onerous for some companies. There are many examples however, of a tiered reporting structure with less rigorous

requirements for small and medium sized organisations, both within Australia and overseas. As a minimum, smaller organisations should sign a memorandum annually, saying that they are complying with the spirit of the Corporate Code of Conduct.

Part 1. Preliminary

Section 6 Interpretation

Page 4.4-5 Contractors are implied in the definition of employees. If contractors are to be included, this should be stated explicitly, rather than implicitly ie 'employees means persons engaged to perform work or service for an enterprise, including contractors.'

Page 5.2 Section (d) refers to the distribution of gas or water, but not electricity. Is this an intended omission? In addition, it is not clear whether telecommunications would fit into the definition of an industrial undertaking.

Part 2. Corporate Codes of Conduct

Section 7 Environmental standards

Page 6.8-11 Compliance with International Standards Organisation (ISO) 14000 series, eg 14031, could be considered in this section.

Part 2. Corporate Codes of Conduct

Section 9 Employment standards

Page 7.14 – 28

Compliance with Social Accountability Standard (SA) 8000 series could be considered in this section.

Part 2 Corporate Codes of Conduct

Section 12. Duty to observe consumer health and safety standards

Page 8.21- Compliance with International Standards Organisation (ISO) 9000 series could be considered in this section.

Part 3 Reporting

Section 14 Reports to ASIC

Page 10.22-24 (f) Reporting total remuneration provides little information of value to the user. Both top and bottom equivalent full time salary or wage for employees (as defined under Section 6) should be reported and/or the top to bottom compensation ratio.

Reports must be at least as accessible as annual reports prepared for other stakeholders such as shareholders. There should be a requirement that the Chairman's report includes a statement regarding compliance with the requirements in the Act. A full report should be available in hard copy or on the company's website, at the same level as shareholder information.

Other comments:

Companies that fail to comply with codes of conduct as outlined above, whether mandatory or voluntary, are following very risky, short sighted, short term strategies. An Act such as this sends a signal to the global

market that dealing with Australian companies means they are dealing with reputable companies that are concerned about environmental sustainability and can be relied upon to act in the interests of all stakeholders. This is essential for the long term health of Australian business interests.

Thank you for providing the opportunity to comment on the Bill. If you have any further questions on this matter please feel free to contact Tiina-Liisa Sexton on 03 6224 8770.

Ethics & Corporate Governance Centre of Excellence
CPA Australia