

30 April 2004

Office of the Company Secretary

Dr Kathleen Dermody  
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Parliamentary Joint Committee on Corporations  
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Dear Dr Dermody

Thank you for the opportunity to comment on the matters raised by Senator Murray with respect to political donations by companies.

I believe it is reasonable for shareholders to ask how political (and other) donations serve a company's interests. I would endorse the sentiments of Justice Owen in the Report of the HIH Royal Commission where he said in Chapter 6:

"In discretionary areas of this kind there is a possibility of abuse. The principles in accordance with which donations are made call for consideration at board as well as management level together with appropriate disclosure.

Warren Buffet, chairperson of Berkshire Hathaway Inc, once said:

*Just as I wouldn't want you to implement your personal judgments by writing checks on my bank account for charities of your choice, I feel it inappropriate to write checks on your corporate 'bank account' for the charities of my choice.*

A similar sentiment was expressed more recently by Sir Gerard Brennan:

*There are sound reasons of policy for imposing a limitation on directors' powers to donate corporate assets. Investors, whose charitable inclinations are diverse, do not authorise directors to dispose of corporate assets to charitable objects of the directors' choice. The choice should remain with the individual investor when he or she obtains his or her share of the distributed profits. From the moral viewpoint, there is no virtue in a directors' resolution to dispose of corporate assets to a charitable object. Virtue consists in the giving of what is one's own, not in the giving of assets that belong to another.*

However laudable the object of the donation, discretionary payments of this kind from the funds of shareholders should be undertaken in a transparent and justifiable way with full regard to the interests of the shareholders. Companies should develop their own guidelines for the disclosure of their arrangements for the stewardship of corporate donations. Guidelines should cover the disclosure

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to shareholders of donations made to charitable, philanthropic, political or other discretionary objects together with a statement of the rationale for those payments.”

My view, which I believe is consistent with the view of Chartered Secretaries Australia, is that I would support a requirement that listed companies disclose in their annual reports their policy with respect to making political donations and the details of any donations made in the period under review. This disclosure would properly be the subject of questions and comment at the annual general meeting. However, I would not support a requirement that a general meeting of the company must approve a donation policy and actual donations. I believe that such a requirement would encroach on a matter that is properly left to the discretion of the board and management (subject to full disclosure to shareholders in the annual report) and could continue a trend where significant amounts of time at company general meetings are spent addressing matters largely unrelated to the overall operations and performance of the company.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Doug Gratton', followed by a long horizontal line extending to the right.

Douglas Gratton  
Company Secretary  
Telstra Corporation Limited