

RECOMMENDATIONS

Recommendation 1

4.78 The committee finds that the *Corporations Act 2001* permits directors to have regard for the interests of stakeholders other than shareholders, and recommends that amendment to the directors' duties provisions within the Corporations Act is not required.

Recommendation 2

5.44 The committee recommends that the Australian Prudential Regulation Authority issue detailed guidelines on the sole purpose test to clarify for superannuation trustees their position in relation to allocating investments to sustainable responsible investment fund managers.

Recommendation 3

5.55 The committee recommends that institutional investors in Australia seriously consider becoming signatories to the United Nations Principles for Responsible Investment.

Recommendation 4

5.57 The committee recommends that the Future Fund should become a signatory to the United Nations Principles for Responsible Investment.

Recommendation 5

6.46 The committee recommends that sustainability reporting in Australia should remain voluntary.

Recommendation 6

6.160 The committee recommends that the Australian Government, through the Joint Environment Protection and Heritage Council / Ministerial Council on Energy Policy Working Group process, seek to rationalise Australia's greenhouse and energy reporting requirements into a national framework.

Recommendation 7

6.161 The committee recommends that government and industry should liaise on developing a mechanism for setting sectoral benchmarks for greenhouse and energy performance.

Recommendation 8

7.22 The committee recommends that each company auditor on an annual basis:

- review the extent to which companies are making non-financial disclosures in their Operating and Financial Reviews; and
- make recommendations to the company Board regarding the adequacy of the disclosures to meet the evolving needs of shareholders, and the wider capital

market in order to assess and value material non financial performance, risk profile and risk management strategies.

Recommendation 9

7.55 The committee recommends that:

- it is premature to adopt the Global Reporting Initiative Framework as the voluntary Australian sustainability reporting framework; and
- that the Australian Government continue to monitor the acceptance and uptake of the Global Reporting Initiative Framework, both nationally and internationally, with a view to its suitability as the, or a basis for a, voluntary Australian sustainability reporting framework.

Recommendation 10

7.70 The committee recommends that the Australian Stock Exchange Corporate Governance Council (ASX Council) provide further guidance to Principle 7 of the ASX Council's *Principles of Good Corporate Governance and Best Practice Recommendations* to the effect that companies should inform investors of the material non-financial aspects of a company's risk profile by disclosing their top five sustainability risks (unless they demonstrate having fewer); and providing information on the strategies to manage such risks.

Recommendation 11

7.71 The committee recommends that the ASX Council undertake industry consultation to determine whether there are areas where companies, investors, and other stakeholders believe further guidance is necessary in relation to the non-financial disclosure requirements under the ASX Council's *Principles of Good Corporate Governance and Best Practice Recommendations*.

Recommendation 12

7.102 The committee recommends that the Australian Securities and Investments Commission revise the *Section 1013DA disclosure guidelines* to be relevant to mainstream fund managers rather than simply to the more limited pool of ethical investment funds.

Recommendation 13

8.19 The committee recommends that the Australian Government provide seed funding to establish an organisation, the Australian Corporate Responsibility Network, to be modelled on the United Kingdom initiative Business in the Community.

Recommendation 14

8.30 The committee recommends that investors, stakeholders and relevant business associations should encourage companies to include long term (beyond a three to five year timeframe) and corporate responsibility performance measures as part of the remuneration packages of company directors, executive officers and managers.

Recommendation 15

8.39 The committee recommends that industry associations and peak bodies actively promote corporate responsibility to their members.

Recommendation 16

8.46 The committee recommends that the Australian Stock Exchange, in consultation with companies, institutional investors and rating agencies, establish and operate a central web-based tool for the dissemination of sustainability information, based on the London Stock Exchange's Corporate Responsibility Exchange. The Australian Government should consider whether both facilitation and seed funding is required to establish such a service.

Recommendation 17

8.49 The committee recommends that the proposed Australian Corporate Responsibility Network publicise and promote best practice examples across the spectrum of corporate responsibility activities and across industry sectors.

Recommendation 18

8.57 The committee recommends that the corporate not-for-profit sector should endeavour to meet the same standards as the corporate for-profit sector in considering the interests of stakeholders.

Recommendation 19

8.74 The committee recommends that the Prime Minister's Community Business Partnership continue to move beyond its initial focus on philanthropy, towards a broader sustainability framework.

Recommendation 20

8.92 The committee recommends that, in order to show greater leadership and to encourage more agencies to disclose their sustainability performance, the Australian Government establish:

- voluntary sustainability reporting targets for government agencies;
- voluntary targets for government agency procurement in areas such as water, waste, energy, vehicles, equipment and consumables; and
- a requirement for each government agency to disclose such targets and to detail progress towards achieving these in its annual report.

Recommendation 21

8.97 The committee recommends that the Australian Government's various corporate responsibility programs be co-ordinated through a whole-of-government approach.

Recommendation 22

8.111 The committee recommends that the Australian Government, in consultation with the investment community, develop educational material:

- regarding the materiality of non-financial risks, for use by institutional investors and fund managers; and
- to promote the United Nations Principles for Responsible Investment to institutional investors and fund managers.

Recommendation 23

8.116 The committee recommends that the Australian Government, in consultation with relevant sections of the business community, undertake research into quantifying the benefits of corporate responsibility and sustainability reporting.

Recommendation 24

8.122 Although recommending that it is premature to adopt the Global Reporting Initiative Framework, the committee recommends that in addition to the continued monitoring of its uptake, the Australian Government provide guidance to the business community, including the small business community, on how to apply the Global Reporting Initiative Framework.

Recommendation 25

8.126 The committee recommends that the Australian Government develop educational material to promote the UN Global Compact and to encourage Australian companies to become signatories where it is appropriate for them.

Recommendation 26

8.129 To protect Australia's interests, the committee recommends that where appropriate, the Australian Government facilitate and coordinate the participation of Australian corporations in international corporate responsibility initiatives.

Recommendation 27

8.131 The committee recommends that the Australian Government, in collaboration with relevant not-for-profit organisations, develop educational materials for not-for-profit organisations to promote the benefits of corporate responsibility within their own organisations.

Recommendation 28

8.146 The committee recommends that as a way of facilitating greater uptake of sustainability reporting, the Australian Government should examine the feasibility of introducing inflated write-off arrangements for the year-one costs of initiating sustainability reports, to assist companies that commence sustainability reporting for the first time.

Recommendation 29

8.151 The committee recommends that the Australian Government consider options for providing regulatory relief to corporations which voluntarily undertake specified corporate responsibility activities.