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1 May 2006

Committee Secretary
Parliamentary Joint Committee on
Corporations and Financial Services
Department of the Senate
Parliament House
CANBERRA ACT 2600

Dear Sirs

Inquiry into Corporate Responsibility

We refer to the Parliamentary Joint Committee's inquiry into Corporate Responsibility and welcome the opportunity to provide comment on these issues.

For your information, we also responded to the recent inquiry undertaken by the Corporations and Markets Advisory Committee (CAMAC) into Corporate Social Responsibility. In particular, QBE expressed its general support for the position adopted by Chartered Secretaries Australia in its submission to CAMAC dated 24 February 2006.

QBE acknowledges the importance for all corporations to be responsible corporate citizens in carrying out their day to day operations and decision making. We believe this responsibility exists as a result of common law and statutory requirements, together with the cultural framework within individual corporations. As such, we do not believe that Corporate Responsibility is a concept that can be imposed on corporations. It is more than a compliance issue.

It is true that directors have a duty under sec 181(1)(a) of the Corporations Act to exercise their powers and discharge their duties in good faith in the best interests of the corporation. However, this does not mean at the expense of or detriment to other stakeholders to that relationship.

Shareholders would expect their company directors and management to conduct the affairs of the company in a socially responsible manner. It is important to remember, that often, shareholders may also be members of the group named 'other stakeholders' and therefore the concepts of Corporate Responsibility and the best interests of other stakeholders include shareholders.

We believe any suggestion that a corporation may ignore its social responsibilities in order to ensure shareholder returns is flawed, as the two issues are not mutually exclusive, particularly in the current corporate environment where companies are under their greatest ever level of scrutiny, both from a prudential and public perception perspective.

As such, QBE does not believe that any further statutory reforms are required in the form of reporting or other standards in order for directors to understand their role in balancing the interests of the corporation and its shareholders, with those of the other stakeholders.



However, we support the suggestion in section 4.3 of the Corporate and Financial Services Regulation Review Consultation Paper released on 7 April 2006 to extend the application of the Business Judgement Rule. Our support relates to any obligation a director or officer has under the Corporations Act, where that director or officer has exercised their powers and discharged their duties with the care and diligence of a reasonable person.

We believe that such an extension of the Business Judgement Rule would allow directors and officers to have appropriate regard to the interests of the company, its shareholders and other stakeholders without the fear of being held in breach of their duties.

We would be pleased to assist you with any further information you may require. If you have any questions, please do not hesitate to call either Peter Smiles on (02) 9375 4322 or me on (02) 9375-4422.

Yours sincerely

A handwritten signature in black ink that reads "Duncan Ramsay".

Duncan Ramsay
General Counsel and Company Secretary

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