

10 August 2016

Mr Varant Meguerditchian
Senior Manager, Stakeholder Engagement & Public Affairs
Standards Australia
Level 10
20 Bridge Street
SYDNEY NSW 2000

Via email: varant.meguerditchian@standards.org.au

Dear Varant

ISO proposal for a new technical committee on organisational governance

Thank you for engaging with the Australian Institute of Company Directors (AICD) on the ISO proposal for a new technical committee to be formed to develop and maintain international standards in the area of organisational governance (Proposal).

The AICD is committed to excellence in corporate governance. We are the nation's leading organisation for directors, dedicated to making a positive impact on society and the economy by promoting professional director education and have a significant and diverse membership of more than 38,500 from across a wide range of industries, commerce, government, the professions, private and not-for-profit sectors.

We note that the Proposal contends there is a 'global need for internationally recognised ISO standards in governance in order to pull together all [existing national policy, regulation and legislation]' on organisational governance. It further claims that there is a need for cross-sector guidance on the fundamentals of good governance.

While we agree that most corporate governance guidelines and codes of best practice have been developed for specific sectors, we question the assertion that further international guidance is required. In our view, the *OECD Principles of Corporate Governance* (OECD Principles) have attracted broad support across major markets worldwide and are regarded by many as embodying the international benchmark for corporate governance. Although the principles focus primarily on publicly traded companies, they provide meaningful international guidance for the benefit of all policymakers, regulatory bodies, companies and investors. If the ISO considers that the OECD Principles are lacking, it would be better to seek amendment or expansion of those principles, than to create another set of principles.

We are also concerned that while the Proposal seeks to introduce principles, the international standards produced may in fact operate as requirements. If the standards are overly detailed or prescriptive, unintended adverse consequences are likely to result particularly as the standards are intended to apply across all sectors and all jurisdictions. It is well-accepted that a one-size-fits-all approach to corporate governance is inappropriate.

If the international standards extend beyond broad statements of principle they may conflict with elements of specific national, sector or institutional governance frameworks. In this context, we note with considerable concern that the draft guidance contained in Annex C is expressed in terms of requirements (refer to the language of 'should' and 'ensure'), not principles. Introducing international standards may add an unnecessary layer of red tape without commensurate improvements in corporate governance globally.

While the AICD is supportive of efforts to help boards and organisations achieve good governance, we are not convinced that the development of international standards as contemplated by the Proposal will be effective in furthering this goal.

If, however, the Proposal is approved, the AICD strongly recommends that Australia participate in the new technical committee's work.

In our view, Australia has much to share in terms of our experience in developing and implementing best practice governance guidance. Specifically, the *Corporate Governance Principles and Recommendations* developed for entities listed on the Australian Securities Exchange (ASX) are highly regarded internationally. In any event, as a member of the international community, Australia's interests should be voiced in relation to the development of international standards that may affect, directly or indirectly, Australian companies, directors, investors and other stakeholders.

Furthermore, if the Proposal proceeds, the AICD would like to contribute to the collective Australian position on the standards developed and believe we are well qualified to do so. Not only are we a member of the ASX Corporate Governance Council which is responsible for the governance principles and recommendations for ASX-listed entities, but we have also developed good governance principles and guidance for Australian not-for-profit organisations. In addition, through our cross-sector membership, we are in a strong position to draw on the insights and experiences of directors who, given their position at the apex of the organisational hierarchy, are integral to effective governance.

If you would like to discuss this letter or our offer of assistance, please contact Lysarne Pelling, Senior Policy Adviser, on (02) 8248 2708 or at lpelling@aicd.com.au.

Yours sincerely



LOUISE PETSCHLER
General Manager, Advocacy