

## **No to law change on Hardie fallout**

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Legal changes are not required to ensure company directors can take account of stakeholders other than shareholders, according to the Treasurer's legal advisory committee.

Its report on corporate social responsibility, released yesterday after a year-long inquiry, also rejected mandatory reporting of social and environmental issues, saying it would be "premature and counterproductive".

It backs an extension of existing legal requirements for public companies to report on their operations and future prospects to listed trusts and investment companies.

The Corporations and Markets Advisory Committee inquiry is the second this year into corporate responsibility, a debate that has flared since the James Hardie asbestos scandal. Hardie initially rejected calls to provide more money for its asbestos victims and said it had to "act in the interests of its shareholders as the law requires".

A parliamentary committee concluded in June that legal changes to expand directors' duties were unnecessary, while mandatory reporting might lead to a "tick-the-box culture of compliance".

CAMAC said changing the Corporations Act to require or permit directors to consider special interests was unlikely to improve the quality of decision-making "and could in fact be counter-productive by clouding the accountability of directors".

Environmental or social damage caused by irresponsible business practices were best addressed by specific laws, rather than expanding the duties of directors. It also said section 299A of the Corporations Act, which requires companies to provide an operating review, was already an appropriate platform for the disclosure of emerging issues, whether economic, environmental or social.

Convenor Richard St John said companies should be judged on the way they dealt with environmental or social issues, but "should not be expected to direct their efforts to social ends regardless of the relevance to their own business".

The report was welcomed by directors, but criticised by the Australian Conservation Foundation.

"It's disappointing it took 20 months and 180 pages to endorse the status quo," legal adviser Charles Berger said. He said CAMAC did not endorse any proposals for what the

government could do to encourage better corporate responsibility.

The ASX is considering whether its governance rules should include a specific requirement to disclose material business risks. Submissions are due by February 9.

#### KEY POINTS

1. This is the second inquiry this year into corporate responsibility.
2. It says companies should be judged on how they deal with environmental or social issues.
3. But it says they should not be expected to work for social ends regardless of the relevance to their own business.