

## AMP's Murray right to question the value of corporate governance rules

Written by Angelo Aspris, Senior Lecturer in Finance, University of Sydney

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New AMP chair David Murray's [recent comments](#) were a welcome intervention in the public debate on corporate governance. This was not necessarily because of his strong rebuke of ASX corporate governance principles but rather because of his willingness to start a conversation about the real value of adhering to these principles and recommendations.

According to Murray, following these principles “contributed” to what has taken place within AMP and the financial sector in recent history. It's hard to argue that he is wrong. While good governance and corporate performance go hand in hand (with plenty of [evidence](#) to support this), we should never pretend, even for a moment, that adhering to best practice will prevent the next

[Big-](#)

[Un](#)

[Blue Sky](#)

[RFG](#)

[Getswift](#)

or

[Dick Smith](#)

It should be noted, however, that the development of ASX corporate governance principles has been effective in raising standards of corporate behaviour, disclosure and accountability on average. Credit is due here.

But this is where it ends. Murray's main criticism is that there is now significant regulatory overreach. He argues that to achieve better governance we must be prepared to depart from the things that stand in the way of better outcomes.

This will [undoubtedly meet with resistance](#) from the [ASX Corporate Governance Council](#) and advocates in the form of proxy advisory firms. However, the rules and recommendations that are supposed to deliver better outcomes have produced woefully inadequate results.

## Box-ticking consumes boards' time

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Principles and recommendations have become a significant distraction for boards. They have been forced to focus on compliance – and not of the type that is beneficial to shareholders (i.e. reviewing financial reports and ensuring they are meeting continuous disclosure obligations). This leaves little time to deal with strategic decisions associated with forward-looking factors.

A 2016 survey of directors by McKinsey and Company, [The Board Perspective](#), revealed an important truth – there is a significant gap between days spent by board members on matters of strategy relative to what they would like to spend. Furthermore, 52% of the respondents wanted to increase the time spent on strategy based on its relative value to their companies.

With an already significant rise in [time commitments](#) for directors of publicly listed firms over the last decade, it is hard to imagine how these respondents will be able to realise this goal.

### Returning accountability to the board

Murray's [radical \(or common-sense\) plan for AMP](#) involves [restoring accountability to the board](#)

Perhaps his most salient and contentious point relates to the committees – risk, audit, remuneration, nomination, and governance – that ASX rules require. Murray argues that charging these committees with assisting the board to fulfil its corporate governance responsibilities undermines the CEO and the board itself.

Boards should feature significantly in discussions of critical business risks. Yet matters that are imperative to shareholders are being delegated to subcommittees. This means we are getting more process than product from our directors.

Having an audit committee and risk committee and adhering to the standard principles are used by firms to signal to their shareholders that potential risks have been appropriately addressed. But the fact of the matter is that good and bad companies alike adopt these practices with the same level of vigour.

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Corporate governance should not be proscriptive and firms should not be denounced for choosing to follow alternative and more effective paths. Murray's statement that "we will not be guided by ASX corporate governance principles where they either weaken accountability or distract the company to less important issues" should be celebrated.

AMP shares were up over 3% following Murray's comments. It is perhaps time that the institutions that design and oversee governance frameworks paid closer attention to the market and its needs.

*Angelo Aspris does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.*

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