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Director Liability Reform Essential for Benefit of Australian Economy

A Federal Government initiative to reform national and state laws relating to director's liability was today welcomed by the Australian Institute of Company Directors (AICD).

"We have long been urging that the myriad of laws that impose differing obligations on directors should be rationalised," said AICD's chairman, Mr John Story.

"Our objective is simply a consistent statement of the duty of directors, which reflects realistically the role that they actually play. This should be applied uniformly across all Commonwealth and State acts and regulations.

"The current statement in the Corporations Act of the general duty of care for directors, which incorporates the business judgment rule, is a good starting point. It recognises the role of directors acting reasonably in the interests of shareholders, but provides no protection for those who fail to do so.

"This is not about letting bad directors avoid responsibility for their actions," Mr Story said. "But boards undertake a vital function creating wealth in our economy, and the community understands the importance that this has to the accumulation of their own retirement savings."

AICD asked the Government to adopt a wide-ranging approach to its reform of director's liability laws, including the impact caused by state occupational health and safety laws.

Reform of this aspect of director's liability should not compromise high standards of protection for Australian workers, Mr Story said. Rather, it should focus on harmonising laws so that common rules applied around the nation and it should also reduce the burden of red tape.

For media inquires, please contact: Alan Deans, AICD, on 0427 490 992

Australian Institute of Company Directors (AICD) provides education, information and advocacy for company directors Australia-wide, with offices in each state to cater for over 23,000 members. AICD members work in diverse corporations such as small-to-medium enterprises, the Top 200 corporations, public sector organisations, not-for-profit companies, large private companies and smaller private family concerns.