

ASX CORPORATE GOVERNANCE COUNCIL

MEDIA RELEASE

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Corporate Governance statements: who reads them and why?

At its meeting in Sydney today the ASX Corporate Governance Council discussed and released key findings of a survey aimed at understanding the relevance of corporate governance disclosure to the investment and analyst community.

The 'user survey', conducted late last year, found a large majority of respondents - private investors and organisations/professionals - do use corporate governance information in analysing or reviewing their investments. Respondents named BHP Billiton, Wesfarmers, Westpac, ANZ and Woolworths as companies whose annual reports contained good corporate governance reporting.

When prompted to suggest ways in which corporate governance reporting could be improved, investors suggested greater clarity of reporting about remuneration, and the provision of information about board members' experience and affiliations.

The survey methodology and key findings are summarised in the attachment.

Current Activities of ASX Corporate Governance Council

The Council chairman, Eric Mayne, said the Council will use the survey results in its current review of the Principles of Good Corporate Governance and Best Practice Recommendations.

The Council's review takes into account the CLERP 9 amendments, reporting trends to date, the need for any additional guidance, and the emerging debate about non-financial risk reporting and corporate responsibility. The review encompasses the request to Council from the Minister for the Environment and Heritage, Senator the Hon Ian Campbell, to consider ways to encourage non-financial reporting.

Council will seek the views of the general public as part of the review, which it intends to complete by the end of 2006. Any revised version of the Principles and Recommendations will have an effective date of 1 July 2007.

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The ASX Corporate Governance Council Members: Australian Financial Markets Association, Association of Superannuation Funds of Australia, Australasian Investor Relations Association, Australian Council of Super Investors Inc, Australian Institute of Company Directors, Australian Institute of Superannuation Trustees, Australian Shareholders' Association, Business Council of Australia, Chartered Secretaries Australia, CPA Australia, Group of 100, Institute of Actuaries of Australia, Institute of Chartered Accountants in Australia, Institute of Internal Auditors Australia, Financial Services Institute of Australasia, Investment and Financial Services Association, Law Council of Australia, National Institute of Accountants, Property Council of Australia and Securities & Derivatives Industry Association.

The Council released the ten Principles and 28 Recommendations in March 2003. ASX Listing Rule 4.10.3 requires a company to disclose the extent to which it has followed the Recommendations. Where a company has not followed a Recommendation, it must give reasons, including any alternative practices which the company has adopted.

Further information about the Council is available at www.asx.com.au/corporategovernance

The Corporate Governance Users Survey – Key Findings and Methodology

Key Findings

The key findings of the survey are:

- In total, 80% of private investors and 75% of organisations/professionals surveyed use corporate governance information in analysing or reviewing equity investments. The areas of most interest were:
 - Financial reporting (84%)
 - Board structure/responsibilities – particularly for organisations/professionals (69%)
 - Remuneration – particularly for private investors (67%)
 - Risk management – particularly for organisations/professionals (56%)
 - Shareholder/stakeholder management (59%).
- A large majority of respondents - private investors and organisations/professionals - do use corporate governance information in analysing or reviewing their investments. Private investors need to know where to find corporate governance information and want clearer, simpler explanations
- There is a need for better understanding of the terminology used and corporate governance in general - approximately ten per cent of private investors and seven per cent of organisations/professionals needed prompting about what corporate governance covers
- When prompted to suggest what corporate governance information could be included in annual reports users commented:
 - Existing information could be clearer and more concise (26%)
 - Existing information could be more accessible (11%)
 - Details about boards - board experience, independence and affiliations, commitments, share trading, committees including composition, policies and review processes (9%)
 - Clarity of information concerning remuneration of directors and key personnel - particularly highlighted by private investors (9%)
 - A summary statement of whether companies are adopting/exception reporting against the ASX Corporate Governance Council Principles and Recommendations (7%)

Both private investors and organisations/professionals cite financial statements and annual reports as their most *important* sources of information. Private investors cite 'media' as their most *common* source, while organisations/professionals rely more heavily on full annual reports and financial statements.

Eighty-eight per cent of respondents use full or concise annual reports as a source of corporate governance information. Of the twelve per cent who do not do so, private investors find the information too complex or too difficult to extract while organisations/ professionals say the information is not timely and too vague or generic and that alternative sources offer greater detail.

Methodology

Members of the bodies comprising the ASX Corporate Governance Council participated in an internet survey during November and December 2005 to find out:

- The value users place on corporate governance information and the questions they want companies to answer about their corporate governance practices
- What sources of corporate governance information they use

- How the corporate governance information users find in annual reports helps them understand companies' practices, including the reasons preventing them from using this information
- Improvements that make the content, presentation and timing of corporate governance information in annual reports more useful
- Reasons for not using this information.

There were 729 respondents to the survey. Respondents were asked to answer from the perspective of a private investor, a professional or on behalf of their organization. Of the total, 355 (49%) answered as private investors (all from the Australian Shareholders Association) while 374 (51%) answered as organisations/professionals (from other CGC members).

The survey was commissioned by the ASX Corporate Governance Council and conducted by market research firm Creative Catalyst Insights.