ASX
AUSTRALIAN STOCK EXCHANGE

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Significant improvement in corporate governance reporting

The latest ASX review of compliance with the ASX Corporate Governance Council's principles and recommendations has revealed listed companies are continuing to improve their corporate governance reporting.

Overall reporting levels – the aggregate of adoption of recommended practices and of 'if not, why not' exception reporting – were higher in 2005 than in the previous year.

Eric Mayne, ASX's Group Executive, Market Supervision complimented the listed companies for their improved performance. He said that ASX's upgraded monitoring and follow-up activity had been a significant factor.

"But also I believe companies better understand the Guidelines themselves, and are more familiar with the underlying concept of corporate governance reporting," Mr Mayne said.

"Taken as a whole, their reporting does not suggest that this is merely a 'tick the box' exercise.

"To the contrary, company disclosure of corporate governance, together with the other disclosure requirements, will allow an investor to build up a comprehensive understanding of a company's structure, character and performance. This can only lead to a more informed market and better investment decisions."

Key improvements in corporate governance reporting in 2005 were as follows:

Overall reporting levels

- The *overall reporting level* for all Recommendations (being the aggregate of actual adoption of the Recommendations and the 'if not, why not' exception reporting) increased to 88% from 84% in 2004.
- 14 out of 28 Recommendations had reporting levels over 90%
- An additional 9 out of 28 Recommendations had reporting levels over 80%

- This compares with the 2004 review where 8 out of 28 Recommendations had reporting levels over 90% and an additional 9 out of 28 Recommendations had reporting levels over 80%

- The overall reporting level increased at a faster rate among companies outside the Top 500

Adoption reporting levels

- The *adoption reporting level* for all Recommendations increased to 74% from 68% in 2004.

'If not, why not' exception reporting levels

There were continued high levels of 'if not, why not' exception reporting in relation to:

- Recommendation 2.1 (A majority of the board should be independent directors) - 47% 'if not, why not' exception reporting

- Recommendation 2.4 (The board should establish a nomination committee) - 57% 'if not, why not' exception reporting

- Recommendation 9.2 (The board should establish a remuneration committee) - 38% 'if not, why not' exception reporting.

The findings emerge from ASX's review of annual reports of 1162 companies that reported with a 30 June 2005 balance date. Listed trusts, not included in this review, will be the subject of a separate review which will also include stapled entities and listed managed investment schemes.

The findings, presented to the Council at their meeting in Sydney today, can be read in full through the following link: http://www.asx.com.au/supervision/governance/index.htm

Investors regard corporate governance reporting as providing an important source of information in analysing or reviewing their investments, according to the ASX Corporate Governance Council 'Users Survey' (released March 2006):
http://www.asx.com.au/supervision/pdf/MR20060306_corp_gov_council_user_survey.pdf

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