



MEDIA RELEASE

2 November 2006

ASX Corporate Governance Council review of the Principles of Good Corporate Governance and Best Practice Recommendations

The ASX Corporate Governance Council (the 'Council') has released an Explanatory Paper for public comment on its proposed changes to the *Principles of Good Corporate Governance and Best Practice Recommendations* (the 'Principles') and an Exposure Draft of the Proposed Changes.

The Council committed itself to an ongoing review of the Principles to ensure they remain relevant to the Australian business and investment communities. The review comes after two years of monitoring by ASX of company disclosures of corporate governance practices in annual reports.

The proposed changes to the Principles are designed to:

- Remove areas of regulatory overlap between the Principles and equivalent provisions in the Corporations Act and Accounting Standards;
- Promote understanding of the application of certain Principles by merging principles and recommendations that cover common areas of governance;
- Refine the Principles to take into account feedback from Council review groups and users of corporate governance information; and
- Clarify possible ambiguities in certain principles and ensure consistent terminology throughout the Principles.

The proposed changes include:

- Reducing the number of Principles from 10 to 8. The number of Recommendations remains unchanged at 28;
- Amending the definition of 'independence' (Principle 2) to list a series of 'indicators of independence';
- Widening Principle 3 to cover all company codes of conduct and their content and disclosure;
- Clarifying the nature of risk management and risk management processes (Principle 7);
- Removing areas of regulatory overlap in relation to sign-off on financial statements, disclosure of remuneration policies and attendance by an external auditor at Annual General Meetings;
- Recommending that the hedging of unvested options be prohibited; and
- Replacing the term 'best practice' with 'good practice'.

A Consultation Paper (Part B of the Explanatory Paper) on the issue of corporate responsibility/sustainability has also been released. Stakeholder input is sought on whether the Principles should recommend the disclosure of corporate responsibility/sustainability risks that are material business (non-financial) risks.

Chair of the Council and Chief Supervision Officer of ASX Markets Supervision, Eric Mayne, said: "Corporate governance is an evolving debate. The proposed changes to the Principles and Recommendations continue to emphasise providing a flexible, practical and non-prescriptive

corporate governance framework for the Australian market. The ‘if not, why not?’ approach remains central to the Council’s philosophy and the Principles continue to be supported by the ASX Listing Rules.

“Market disclosure remains the cornerstone. The more transparent listed companies are about their corporate governance practices, the better placed investors will be to make informed investment decisions.

“Council will use public responses to this Explanatory Paper to finalise the Principles. So, input from listed companies, investors and other stakeholders is vital to ensure that the Principles remain relevant and useful to the Australian marketplace.”

The Council was formed in August 2002 and brings together 21 business, shareholder and industry groups. This is the first complete review since the Council released its *Principles of Good Corporate Governance and Best Practice Recommendations* in March 2003.

The deadline for submissions is Friday 9 February 2007.

The *Review of the Principles of Good Corporate Governance and Best Practice Recommendations* Part A (Explanatory Paper) and Part B (Consultation Paper on corporate responsibility/sustainability) and the proposed changes to the Principles (the Exposure Draft) will be available via:

http://www.asx.com.au/supervision/governance/principles_good_corporate_governance.htm

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