



MEDIA RELEASE

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Continued Improvement in Corporate Governance Reporting

The latest review by the Australian Securities Exchange (ASX) of reporting against the ASX Corporate Governance Council's Principles and Recommendations shows that listed entities have continued to improve their corporate governance reporting.

The overall reporting level for listed companies – the aggregate of adoption of recommended practices and of 'if not, why not' reporting – was higher in 2006 (90%) than in either of the two previous years ASX has conducted the review (2005 – 88% and 2004 – 84%).

Eric Mayne, Chief Supervision Officer of ASX and Chairman of the ASX Corporate Governance Council, said: "This is a pleasing result and demonstrates that the market is better informed about the corporate governance practices of listed entities than ever before. Overall reporting levels have risen in three successive years, underlining the desirability of Australia's flexible, principles-based approach to corporate governance.

"Good corporate governance is a culture of transparency and is not restricted to simply adopting the Recommendations. Good corporate governance also exists where entities adopt 'if not why not' reporting; that is, where entities identify the Recommendations they have not followed, explain why they have not followed them, and detail how their practices accord with the spirit of the relevant Principle.

"The corporate governance arrangements of many entities differ from the Recommendations but equally amount to good practice. Entities are able to adopt and explain the governance practices they consider appropriate to their circumstances."

Mr Mayne added: "Disclosure is the key. The more transparent listed entities are about their corporate governance practices, the better placed investors will be to make informed investment decisions. The best form of corporate governance is where there is substantive disclosure as opposed to disclosure that is seen merely as compliance with the form of the Principles. ASX, through its ongoing reviews of corporate governance statements in annual reports, plays an important role in educating listed entities on what good corporate governance disclosure is.

"ASX and the ASX Corporate Governance Council also recognise that corporate governance is evolving and will endeavour to ensure that the Principles and Recommendations remain relevant to the Australian business and investment communities."

The key findings from the review, which combined the results of listed companies and listed trusts for the first time, were as follows:

Overall reporting levels – listed companies

- The overall reporting level for listed companies for all Recommendations, being the aggregate of adoption of recommended practices and of 'if not, why not' reporting, has increased to 90% in 2006 from 88% in 2005 and 84% in 2004 – an increase of more than 7% since the first review.
- 17 out of 28 Recommendations had reporting levels of over 90% - up from 14 in 2005 and 8 in 2004.
- An additional 6 out of 28 Recommendations had reporting levels of over 80%.

Overall reporting levels - listed trusts

- The overall reporting level for listed trusts was slightly lower than for listed companies with an overall reporting level for all Recommendations of 85%. In 2005 it was 86%.
- 13 out of 28 Recommendations had reporting levels of over 90% - up from 10 out of 28 in 2005.
- An additional 8 out of 28 Recommendations had reporting levels over 80%.

Top-500 listed entities - listed companies and listed trusts

- The overall reporting level for all Recommendations was over 94%.

Adoption reporting levels

- The adoption rate for all Recommendations, excluding 'if not, why not' reporting, in 2006 was 75% for listed companies and 72% for listed trusts, up from 74% and 70% respectively in 2005.
- The average adoption rate for all Recommendations among top-500 listed entities (companies and trusts) was 88%, up from 86% in 2005.

'If not, why not' reporting

The results indicate that listed entities' understanding of the nature of this type of reporting continues to improve. The level of this type of reporting is high for:

- Recommendation 2.1 - A majority of the board should be independent directors - 44% for listed companies, 26% for listed trusts.
- Recommendation 2.2 - The chairperson should be an independent director - 35% for listed companies and 30% for listed trusts.
- Recommendation 2.4 - The board should establish a nomination committee - 52% for listed companies and 56% for listed trusts.
- Recommendation 4.3 - Audit committee structure - 39% for listed companies and 13% for listed trusts.
- Recommendation 9.2 - The board should establish a remuneration committee - 35% for listed companies and 58% for listed trusts.

The results emerge from ASX's review of the annual reports and relevant website sections of 1,294 listed companies and 77 listed trusts - 1,371 listed entities in total - that reported with a 30 June 2006 balance date. This number represents approximately 71% of all listed entities at that date.

The review can be found in full here: http://www.asx.com.au/supervision/governance/monitoring_compliance.htm

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