MEDIA RELEASE

18 June 2008

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, both companies and trusts, continue to improve their corporate governance reporting.

ASX reviewed the FY07 annual reports of 1,291 listed entities that reported with a 30 June balance date. This represented approximately 67% of all listed entities at the time.

Overall reporting levels – the aggregate of adoption of recommended practices and of 'if not, why not' reporting – rose slightly in 2007 to 90.5%, up from 90% last year. This is the highest level since ASX began the annual review in 2004. For the top-500 listed entities the overall reporting level was 94%. The overall reporting level for listed trusts was 93%, up from 85% last year.

The number of Recommendations with overall reporting levels over 80% increased to 26 out of 28 Recommendations. In 2006 it was 23 out of 28. Among top-500 listed entities all 28 Recommendations achieved reporting levels of over 80%. For listed trusts 27 out of 28 Recommendations achieved reporting levels over 80%.

Eric Mayne, Chair of the ASX Corporate Council and Chief Supervision Officer of ASX, said: "Investors are more informed than ever before about the corporate governance practices of listed entities. And entities themselves are increasingly aware of the importance of being transparent with their governance arrangements.

"Overall reporting levels have continued to rise over four successive years, highlighting the desirability of Australia's flexible, principle-based approach to corporate governance. The improvement among trusts reflects the effectiveness of ASX's targeted education and monitoring programs.

"Good corporate governance is not restricted to adopting the Recommendations. It can also exist where entities use 'if not why not' reporting; that is, where entities identify the Recommendations they have not followed, explain why they have not followed them, and explain how their practices accord with the spirit of the relevant Principle.

"The 'if not why not' mechanism enables entities to explain to the market the governance practices they consider appropriate to their circumstances.

"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 Principles must remain relevant to the Australian business and investment communities. With this in mind the ASX Corporate Governance Council carried out a review of, and broad public consultation on changes to, the Principles during 2006 and 2007. The revised *Corporate Governance Principles and Recommendations* that came into effect on 1 January 2008 are a further step in the evolution of corporate governance in Australia."

The key findings from the FY07 review are as follows:

Overall reporting levels all entities	2004	2005	2006	2007
All entities	84%	88%	90%	90.5%
> 90% reporting level	9 out of 28	14 out of 28	17 out of 28	17 out of 28
> 80% reporting level	17 out of 28	23 out of 28	23 out of 28	26 out of 28
Overall reporting levels top-500 listed entities including listed trusts	**2004**	**2005**	**2006**	**2007**
Top-500	N/A[1]	92%	94%	94%
> 90% reporting level	N/A	14 out of 28	21 out of 28	24 out of 28
> 80% reporting level	N/A	22 out of 28	26 out of 28	28 out of 28
Overall reporting levels listed companies	**2004**	**2005**	**2006**	**2007**
Listed companies	N/A[2]	88%	90%	90.5%
> 90% reporting level	N/A	14 out of 28	17 out of 28	17 out of 28
> 80% reporting level	N/A	23 out of 28	23 out of 28	26 out of 28
Overall reporting levels listed trusts	**2004**	**2005**	**2006**	**2007**
Listed trusts	N/A[3]	86%	85%	93%
> 90% reporting level	N/A	10 out of 28	13 out of 28	23 out of 28
> 80% reporting level	N/A	24 out of 28	21 out of 28	27 out of 28

The full review accompanies this media release and is available on www.asx.com.au

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[1] Statistics are not available for the top-500 listed entities for 2004.
[2] Statistics are not available for listed companies for 2004.
[3] Statistics are not available for listed trusts for 2004.

Analysis of Corporate Governance Disclosures in 2007 Annual Reports

18 June 2008

Executive summary

What this report is about

1 In March 2003 the ASX Corporate Governance Council (Council) released its 10 “Principles of Good Corporate Governance” (Principles) and 28 “Best Practice Recommendations” (Recommendations) that support the Principles. Following a 12 month review of the Principles and Recommendations and extensive public consultation the Council released the revised *Corporate Governance Principles and Recommendations* (Revised Principles) in August 2007.

2 This report presents an analysis of corporate governance disclosure and compliance by all listed entities, both listed companies and listed trusts, with ASX Listing Rules for the reporting period ending 30 June 2007. [1] It also provides commentary on trends in disclosure and the adoption of various Recommendations, where relevant, since reviews commenced in 2005.

KEY FINDINGS

3 The ASX review of compliance with its Listing Rules and the Council’s Principles and 28 Recommendations that support the Principles demonstrates that listed entities, particularly listed trusts continue to improve their corporate governance reporting in 2007 annual reports.

4 Overall reporting levels, being the aggregate of the levels of adoption of the Recommendations and the levels of “if not, why not” reporting against the Recommendations, are slightly higher in 2007 than in previous years and significantly higher than the first year of review.

5 There has been a significant increase in reporting against all Recommendations by listed trusts. The overall reporting level for listed trusts in 2007 increased by 8% to 93% compared to 85% in 2006.

6 For all entities reviewed, the number of Recommendations with overall reporting levels over 80% increased in 2007 to 26 out of 28 Recommendations compared to 23 out of 28 Recommendations in 2006.

7 For all entities in the top-500, all 28 Recommendations have overall reporting levels over 80%.

8 For listed companies, the number of Recommendations with overall reporting levels over 80% in 2007 increased to 26 out of 28 Recommendations compared to 23 out of 28 Recommendations in 2006.

9 For listed trusts the number of Recommendations with overall reporting levels over 90% in 2007 almost doubled to 24 out of 28 Recommendations from 13 out of 28 Recommendations in 2006. The total number of Recommendations in 2007 with overall reporting levels over 80% for listed trusts was 27 out of 28 Recommendations, compared to 21 out of 28 Recommendations in 2006. The improvements in the overall reporting levels for listed trusts indicate that the increased focus by ASX over the last two to three years on the corporate governance reporting of this sector has lead to improved reporting.

10 The ASX review of disclosures in 2007 annual reports showed:

[1] References to specific Principles and Recommendations in this document are to the Council’s 2003 Principles and Recommendations. The Revised Principles take effect from the first financial year starting on or after 1 January 2008. The revised Corporate Governance Principles and Recommendations and Council’s response to submissions received as part of the review are at http://www.asx.com.au/supervision/governance/index.htm.

Reporting levels all entities reviewed and top-500 listed entities

Overall reporting levels all entities reviewed	2004	2005	2006	2007
All entities	84%	88%	90%	90.5%
> 90% reporting level	9 out of 28	14 out of 28	17 out of 28	17 out of 28
> 80% reporting level	17 out of 28	23 out of 28	23 out of 28	26 out of 28

Overall reporting levels top 500 listed entities including listed trusts	2004[2]	2005	2006	2007
Top 500 listed entities including listed trusts	N/A	92%	94%	94%
> 90% reporting level	N/A	14 out of 28	21 out of 28	24 out of 28
> 80% reporting level	N/A	22 out of 28	26 out of 28	28 out of 28

11 The overall reporting level for all Recommendations for the top-500 listed entities in 2007, both listed companies and listed trusts, remained unchanged from 2006 at 94%. For the top-500 listed entities all 28 Recommendations have reporting levels over 80%.

Listed companies

Overall reporting levels listed companies	2004[3]	2005	2006	2007
Listed companies	N/A	88%	90%	90.5%
> 90% reporting level	N/A	14 out of 28	17 out of 28	17 out of 28
> 80% reporting level	N/A	23 out of 28	23 out of 28	26 out of 28

12 The review of listed companies showed that:

- The overall reporting level for all Recommendations increased slightly in 2007 to 90.5%, from 90% in 2006.
- The results of the 2007 review were consistent with the 2006 review in that 17 out of 28 Recommendations had reporting levels over 90%. The number of Recommendations with reporting levels over 80% increased in 2007 to 26 out of 28 Recommendations compared to 23 out of 28 Recommendations in 2006.

[2] There statistics are not available for the Top 500 listed entities for 2004.
[3] These statistics are not available for listed companies for 2004.

Listed trusts

Overall reporting levels listed trusts	2004[4]	2005	2006	2007
Listed trusts	N/A	86%	85%	93%
> 90% reporting level	N/A	10 out of 28	13 out of 28	24 out of 28
> 80% reporting level	N/A	24 out of 28	21 out of 28	27 out of 28

13 The review of listed trusts showed that:

- The overall reporting levels for listed trusts in 2007 was almost 3% higher than for the rest of the market with an overall reporting level for all Recommendations of 93%, 8% higher than the overall reporting level for listed trusts in 2006.
- In 2007, 27 out of 28 Recommendations had overall reporting levels over 80% - a significant improvement since the 2006 review where 21 out of 28 Recommendations had overall reporting levels over 80%.

Adoption reporting levels – all entities, listed companies, listed trusts and Top 500 listed entities

Adoption reporting levels	2004	2005	2006	2007
All entities reviewed	68%	74%	75%	74%
Listed companies	68%[5]	74%	75%	74%
Listed trusts	N/A[6]	70%	72%	79%
Top 500 listed entities	N/A[7]	86%	88%	87%

14 In 2007:

- The average adoption levels for all entities decreased slightly to 74% from 75% in 2006
- For the first time the average adoption rate for listed trusts was higher than for the rest of the market, 79% compared to 74%.
- The average adoption rate for all Recommendations for the top-500 listed entities decreased slightly to 87% in 2007 compared to 88% in 2006.

Improvements in specific reporting levels

15 There has been an improvement in the level of overall reporting by listed entities in a number of areas since 2006. Some of the more notable improvements for both listed companies and listed trust are set out in the table below.

[4] There statistics are not available for listed trusts for 2004.
[5] These statistics are not available for listed companies for 2004.
[6] There statistics are not available for listed trusts for 2004.
[7] These statistics are not available for the Top-500 listed entities for 2004.

Improvements in specific overall reporting levels	2006	2007
Recommendation 2.1 - The majority of the board should be independent directors – listed trusts	75%	90%
Recommendation 3.3 - Disclosure of code of conduct - listed companies	73%	80%
Recommendation 3.3 - Disclosure of code of conduct - listed trusts	57%	96%
Recommendation 6.2: - Auditor attend AGM - listed trusts	58%	76%
Recommendation 7.3 - Disclosure of policies on risk management – listed trusts	62%	83%
Recommendation 10.1- Establish and disclose a code of conduct – listed trusts	84%	98%

Reasons for improvement

16 ASX considers the following factors have contributed to the continuing improvement in the overall levels of reporting:

- Listed entities are more familiar with and better understand the Principles and Recommendations in their fourth year of operation
- ASX's has had a continuing program of monitoring corporate governance disclosures since the reviews commenced in 2005
- The continuing high profile of corporate governance issues as a result of the Council's public consultation on the revisions to the Principles and Recommendations.

Areas of specific focus in 2007 review

17 Each year as part of the annual review of corporate governance reporting, ASX focuses on specific issues where it considers that reporting could be improved or where it wishes to examine entities' reporting on particular issues more closely. For example, the review of 2005 annual reports looked at entities' sustainability reporting and the 2006 review highlighted issues relating to the listed trust sector.

18 The review of 2007 annual reports looked at three particular areas where there are differences between the 2003 edition of the Principles, the Recommendations and the Revised Principles. The issues were: the changes to Recommendation 2.1 which clarify that entities need to set out reasons for deeming directors "independent" notwithstanding the existence of one of the "relationships affecting independent status" in Box 2.1, the disclosure of trading policies and codes of conduct , and reporting under Principle 7. The findings of the review in relation to these issues are set out below at paragraphs 46 ff, 64 ff and paragraph 72 ff respectively.

"If not, why not" reporting levels

19 "If not, why not" reporting involves an entity identifying the Recommendations it has not followed, explaining why it has not followed the relevant Recommendation, explaining how its practices accord with the "spirit" of the relevant Principle, and explaining that it understands the relevant issues and has considered the impact of its alternative approach. Council has also provided some additional commentary on "if not, why not" reporting in the Introduction to the Revised Principles and encourages entities to consider this additional commentary when using "if not, why not" reporting.

20 The results of the 2007 review indicate that there continue to be high levels of "if not, why not" reporting for:

- Recommendation 2.1: A majority of the board should be independent directors - 45% for listed companies, 26% for listed trusts
- Recommendation 2.2: The chairperson should be an independent director - 38% for listed companies and 37% for listed trusts

- Recommendation 2.4: The board should establish a nomination committee - 59% for listed companies and 54% for listed trusts
- Recommendation 4.2 – The board should establish an audit committee – 27% for listed companies
- Recommendation 4.3: Audit committee structure – 55 % for listed companies and 19% for listed trusts.
- Recommendation 9.2: The board should establish a remuneration committee – 38% for listed companies and 51% for listed trusts.

21 Previous Reports have noted high levels of “if not, why not” reporting for these Recommendations, the primary reason being the size of the board. These high levels of “if not, why not” reporting demonstrate the inherent flexibility of this type of reporting which allows entities to adopt and explain the governance practices they consider appropriate to their circumstances.

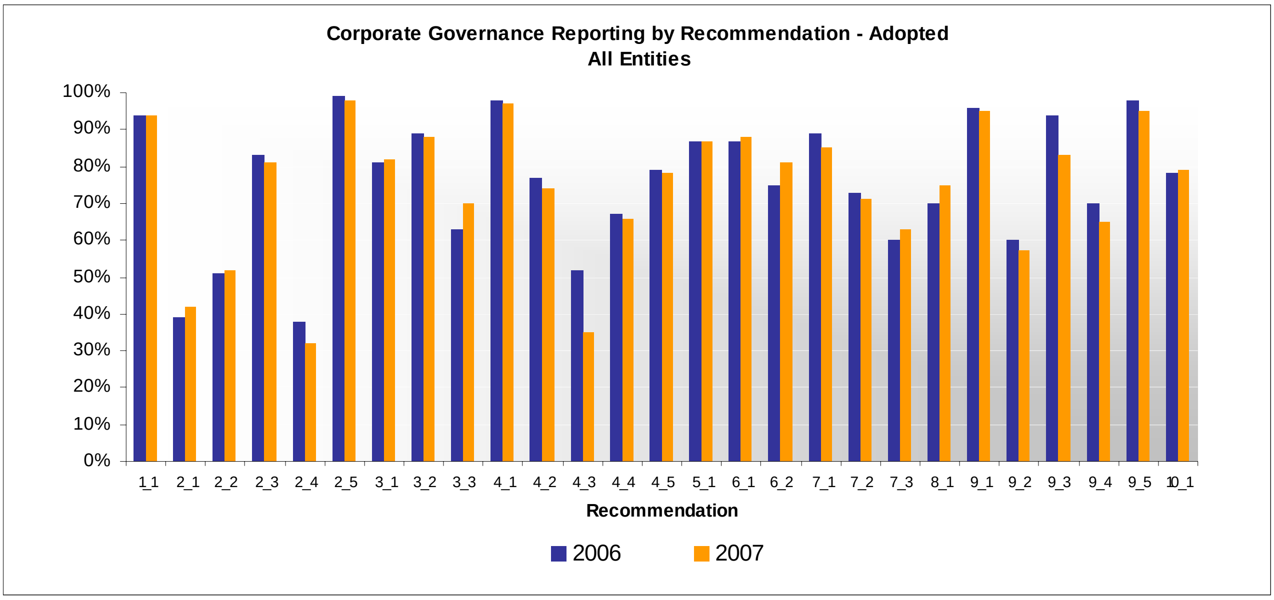
OVERVIEW AND GENERAL OBSERVATIONS

All listed entities

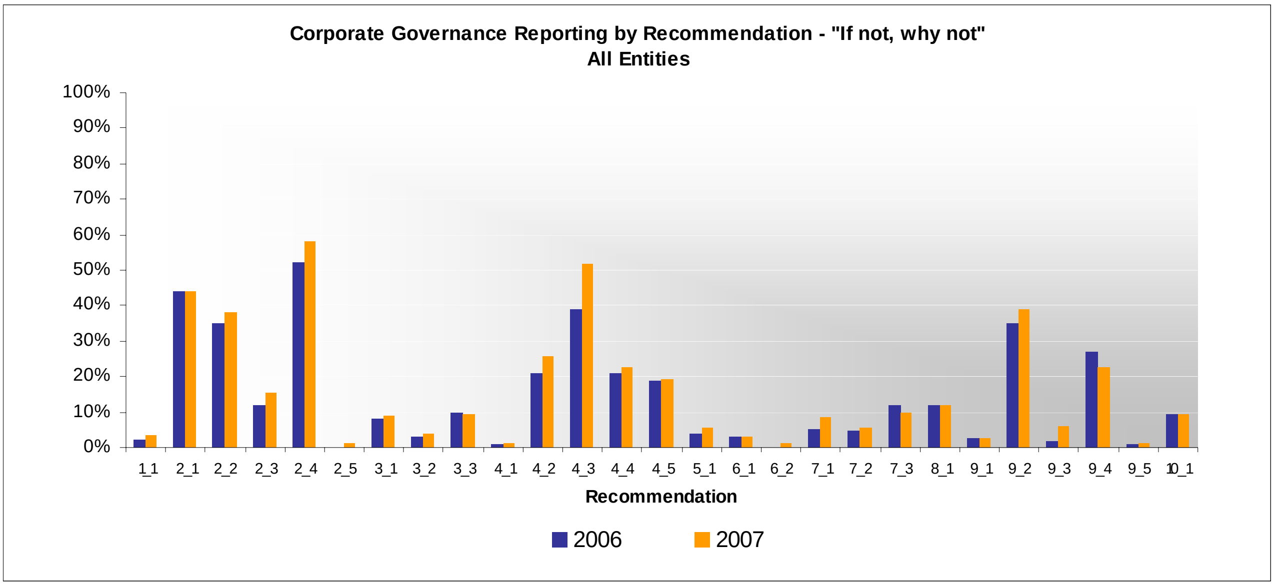
22 Figures 1a to 1c provide an overview of the corporate governance disclosures in 2007 by all entities reviewed and compare these disclosures to the results of the 2006 review. Figure 1a shows adoption of the Recommendations, Figure 1b shows “If not, why not” reporting and Figure 1c shows where all entities neither adopted the particular Recommendation nor provided an “if not, why not” explanation. The blue section in each chart indicates the figures for 2006 and the orange section in each chart indicates the figures for 2007.

Figure 1: Corporate governance reporting statistics all entities - 2006 and 2007 results compared

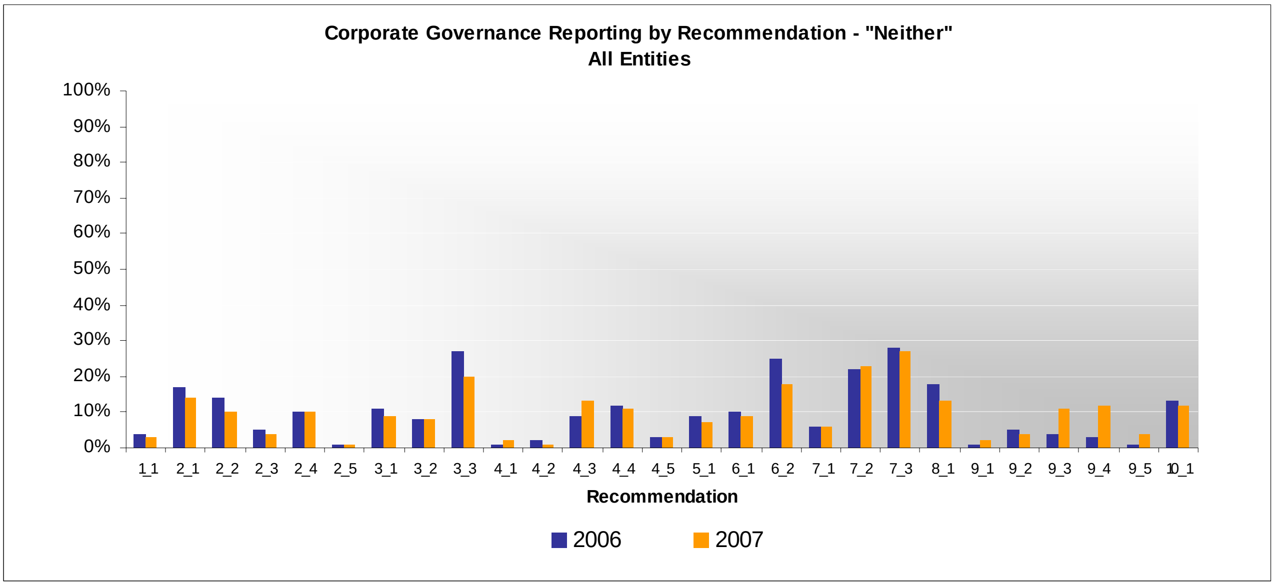
1(a): Adopted



1(b): "If not, why not"



1(c): Neither



23 The 2007 ASX review reveals that on the basis of the annual reports reviewed, an average of 90.5% of listed entities have fulfilled their disclosure obligations under Listing Rule 4.10.3, either by confirming adoption of the various Recommendations or by providing "if not, why not" reporting.[8]

24 Where entities have not fulfilled their obligations under Listing Rule 4.10.3 either by confirming adoption of the various Recommendations or by providing "if not, why not" reporting ASX will be making contact with the entity prior to the end of the 07/08 financial year to follow up this non-compliance.

Listed companies

25 Figures 2a to 2c provide an overview of the disclosures in 2007 by all listed companies reviewed and compares these disclosures with the results of the 2006 review. Figure 2a shows adoption of the Recommendations,

[8] Listing Rule 4.10.3 requires an entity to include in its annual report a statement of the extent to which it has followed the Council's Principles and Recommendations during the reporting period. If the entity has not followed all of the Recommendations, the company must identify which Recommendations were not followed and give reasons. If a Recommendation is only followed for part of the period, the entity must state the period during which it had been followed.

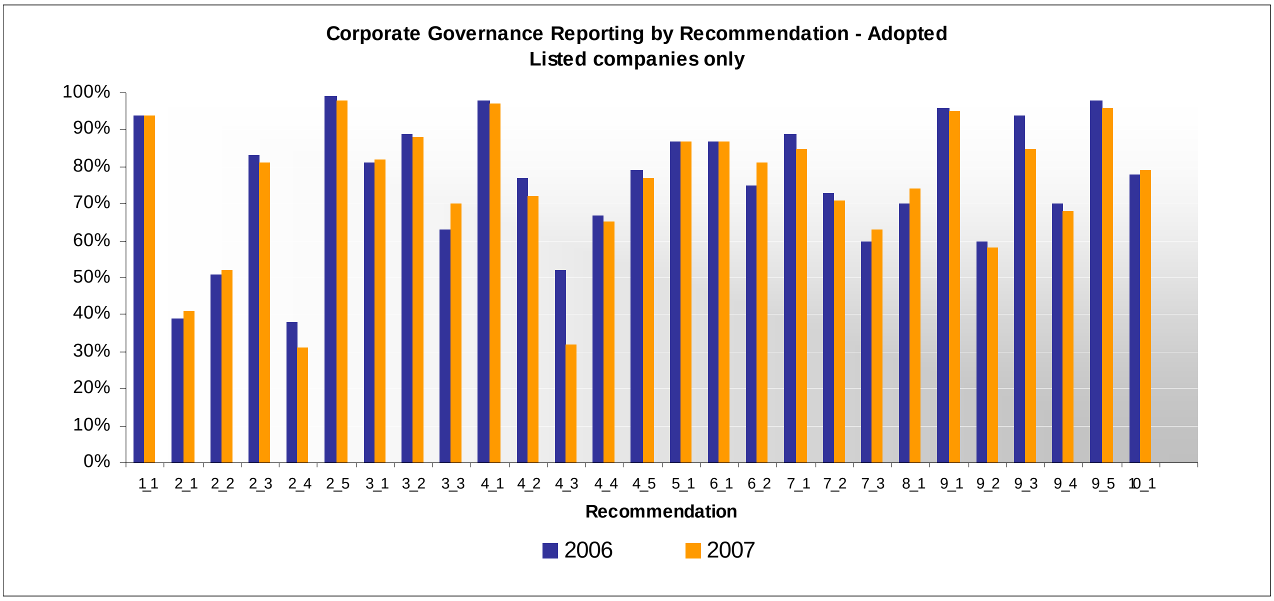
Figure 2b shows "if not, why not" reporting and Figure 2c shows where listed companies neither adopted the particular Recommendation nor provided an "if not, why not" explanation. The blue section in each chart indicates the figures for 2006 and the orange section in each chart indicates the figures for 2007.

26 An average of 90.5% of listed companies fulfilled their disclosure obligations under Listing Rule 4.10.3, either by confirming adoption of the various Recommendations or by providing "if not, why not" reporting. This is a slight increase on the reporting level for 2006. The average adoption rate for all Recommendations for listed companies declined slightly to 74% in 2007 from 75% in 2006.

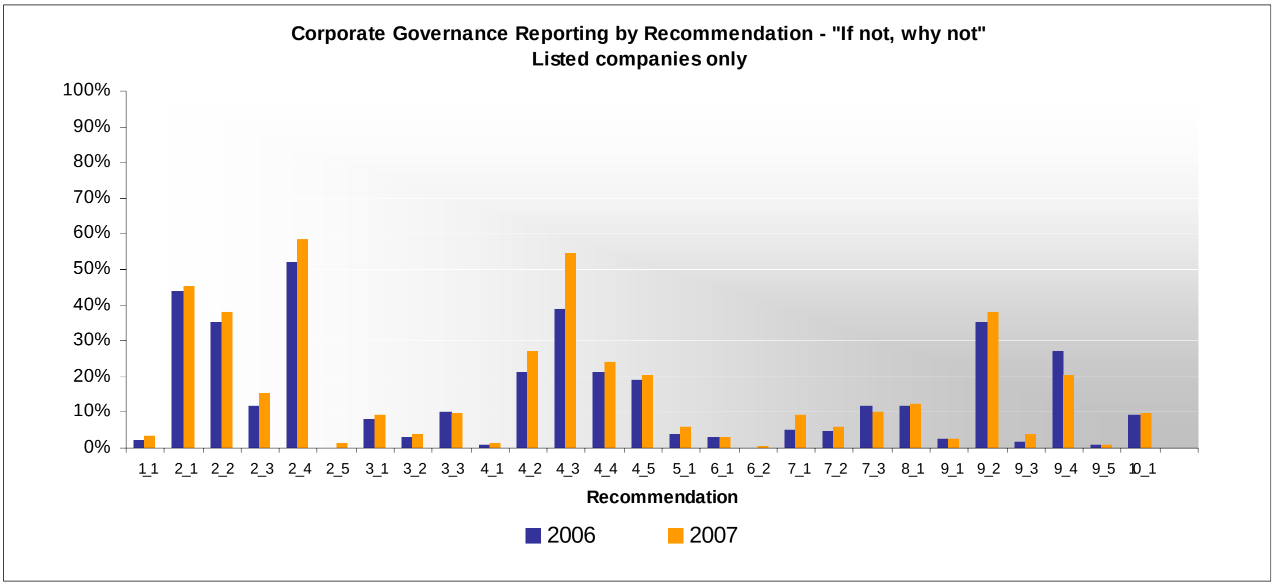
27 Where listed companies have not fulfilled their obligations under Listing Rule 4.10.3 either by confirming adoption of the various Recommendations or by providing "if not, why not" reporting ASX will be making contact with the entity prior to the end of the 07/08 financial year to follow up this non-compliance.

Figure 2: Corporate governance reporting statistics listed companies – 2006 and 2007 results compared

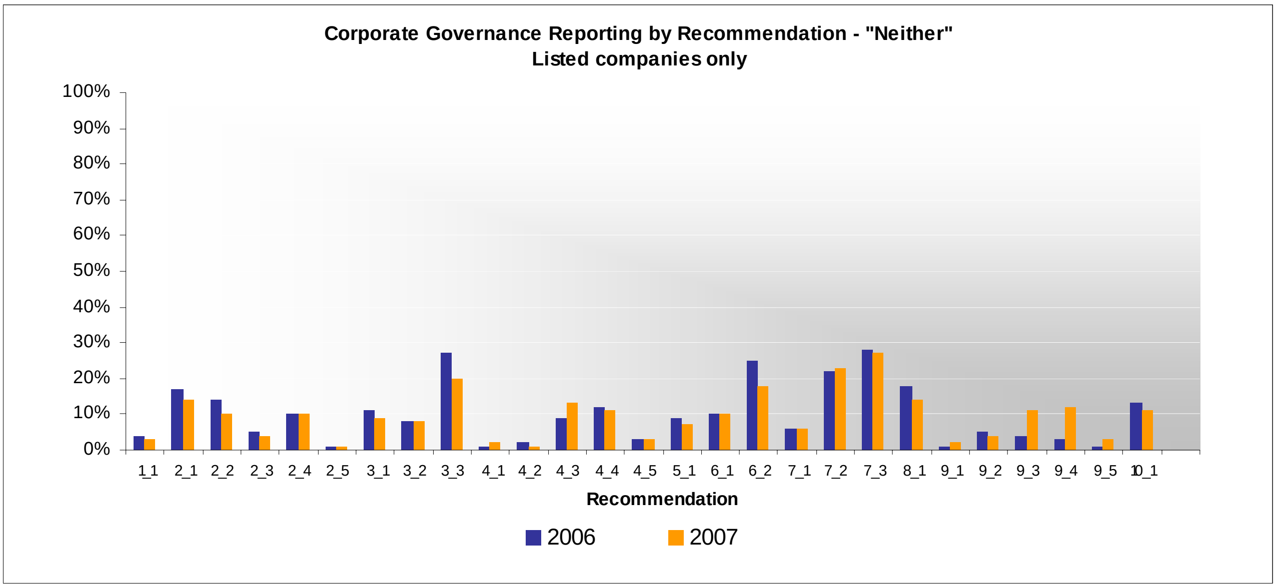
2(a): Adopted



2(b): "If not, why not"



2(c): Neither

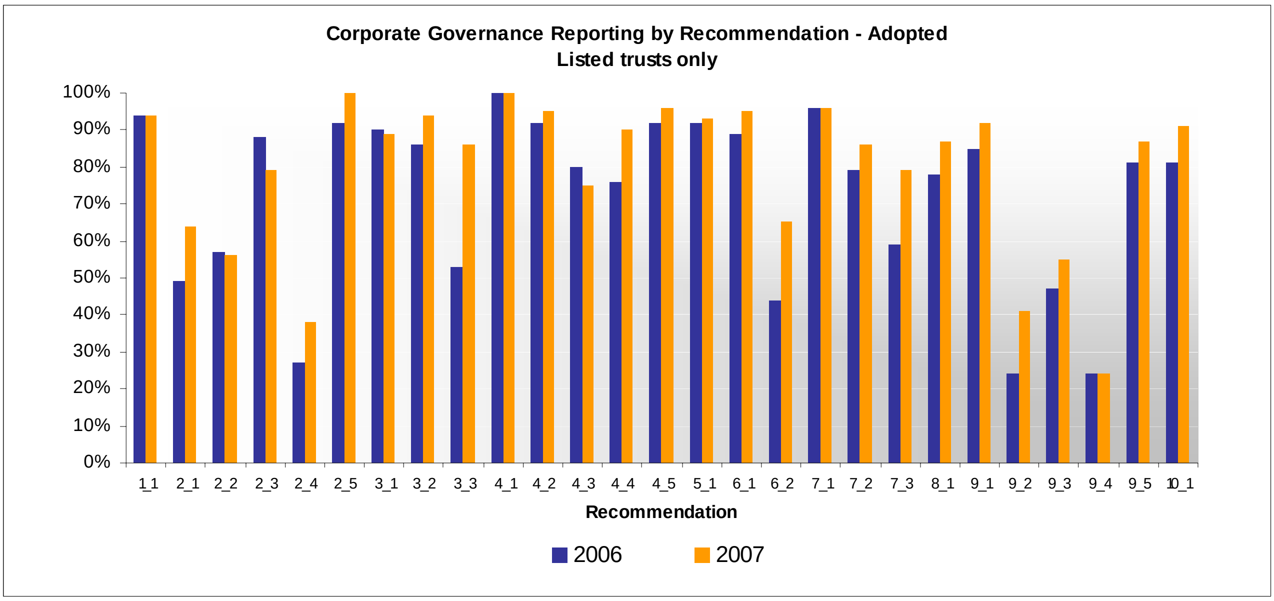


Listed trusts

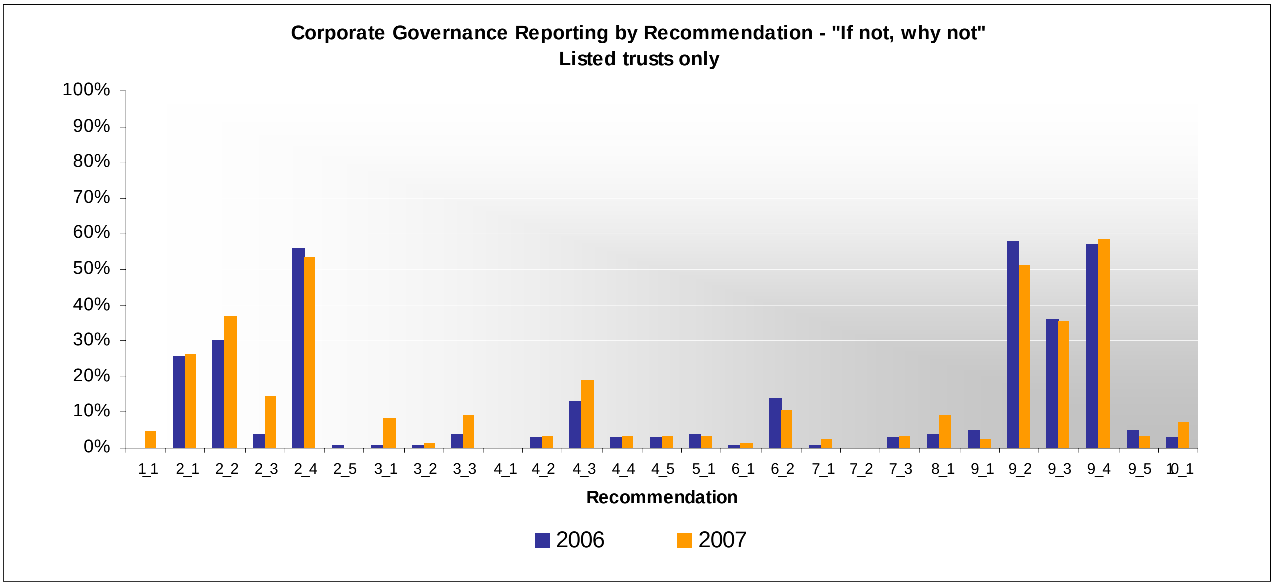
28 Figures 3a to 3c provide an overview of the disclosures in 2007 by all listed trusts reviewed and compares these disclosures with the results of the 2006 review. Figure 3a shows adoption of the Recommendations; Figure 3b shows "if not, why not" reporting; and Figure 3c shows where listed trusts neither adopted the particular Recommendation nor provided an "if not, why not" explanation. The blue section in each chart indicates the figures for 2006 and the orange section in each chart indicates the figures for 2007.

Figure 3: Corporate governance reporting statistics listed trusts – 2006 and 2007 results compared

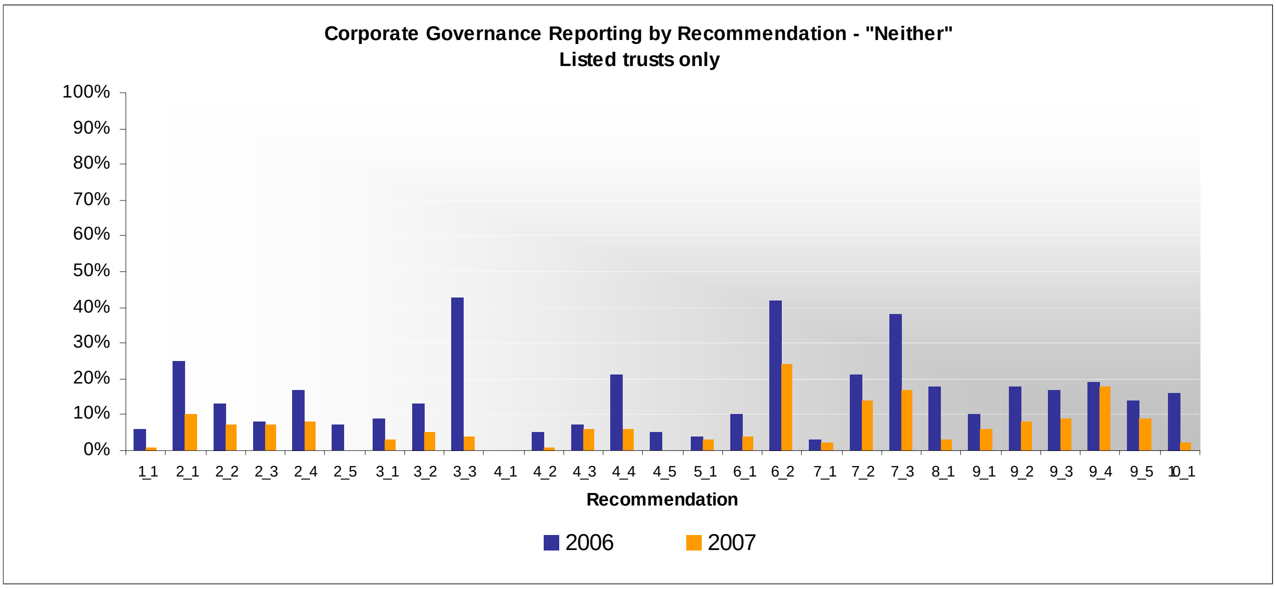
3(a): Adopted



3(b): "If not, why not"



3(c): Neither



29 The 2007 ASX review reveals that on the basis of the annual reports reviewed, an average of 93% of listed trusts complied with Listing Rule 4.10.3, either by confirming adoption of the various Recommendations or by providing "if not, why not" reporting. The results of the 2007 ASX review show an increase of 8% to 93% in the overall reporting level for listed trusts up from 85% in 2006. For the first year the overall reporting level for listed trusts is higher than for the whole market and listed companies, indicating an overall improvement in reporting levels for listed trusts. The average adoption rate for all Recommendations for listed trusts improved by 7% to 79% in 2007, compared to 72% in 2006.

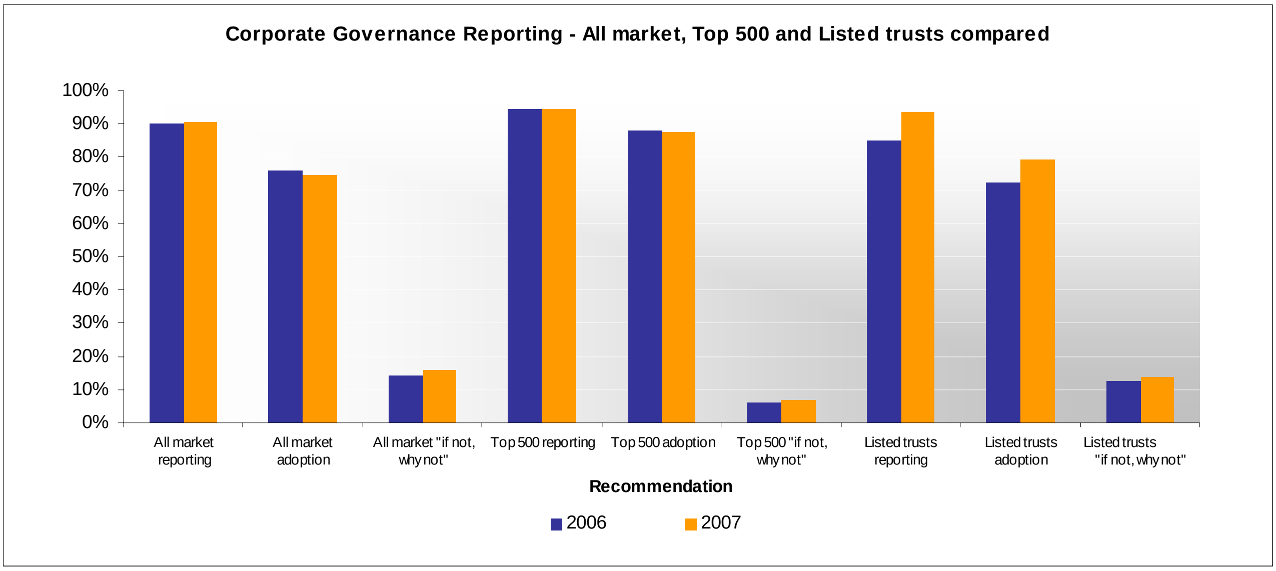
30 Where listed trusts have not fulfilled their obligations under Listing Rule 4.10.3 either by confirming adoption of the various Recommendations or by providing "if not, why not" reporting ASX will be making contact with the entity prior to the end of the 07/08 financial year to follow up this non-compliance.

31 ASX considers that the improvement in reporting by the listed trust sector is the result of the increased focus by ASX on reporting by this sector.

Comparison of top-500 listed entities, all entities and listed trusts compared

32 The average adoption rates for all Recommendations for the top-500 entities, both listed companies and listed trusts, have remained relatively consistent over the last three years and declined slightly in 2007 to 87% from 88% in 2006. The adoption and overall reporting rates are higher for the top 500 entities compared to the rates for the whole market, the most likely reasons being that these companies have a higher profile with investors, are subject to greater scrutiny and are more likely to have resources available to recruit independent directors and to devote time and resources to corporate governance reporting. ASX reminds all entities of their obligations under Listing Rule 4.10.3 and of the importance of transparent corporate governance reporting as a means of assisting investors in making informed investment decisions. Where listed companies have not fulfilled their obligations under Listing Rule 4.10.3 either by either confirming adoption of Recommendations or providing "if not, why not" reporting, ASX will be making contact with the entity prior to the end of the 07/08 financial year to follow up this non-compliance.

Figure 4: Corporate governance reporting statistics all entities, top-500 listed entities and listed trusts results compared



33 ASX also notes by way of observation, the following suggestions to enhance reporting:

- Simplifying corporate governance statements by dealing with the Recommendations consecutively on a Recommendation by Recommendation basis. Some of the better reports provide information on a Recommendation by Recommendation basis in either narrative or tabular form.
- Including clear cross references to the location of information which is relevant to the Recommendations but not included in the corporate governance statement is also useful. Websites are a valuable tool for disclosing many of the supporting documents referred to in the corporate governance statement.

ASX APPROACH TO CORPORATE GOVERNANCE REPORTING

34 Since ASX commenced reviewing corporate governance disclosures it has consistently reinforced the Listing Rules requirements for these disclosures and has encouraged new and existing entities to upgrade their practices and increase their disclosure of their corporate governance practices. In managing governance disclosure issues, ASX has a number of options available to it. These include:

- Contacting the entity to discuss the issue, emphasising education and guidance to achieve an informed market.

- Encouraging the entity to make additional disclosure voluntarily, where ASX identified the need for further disclosure.

- Writing to the entity and releasing this correspondence and the entity's response to the market.

- Writing to the board of the entity asking for an explanation.

- Exercising its power to suspend or de-list companies where there is a breach of the Listing Rules.

35 ASX has also set in train amendments to the Listing Rules which it considers will improve the disclosure and availability of corporate governance information about listed entities:

- A requirement for entities to provide a corporate governance statement prior to listing – this will mean that investors in newly listed entities will have access to corporate governance information, in a format consistent with the disclosure requirements for annual reports, at the time the entity lists rather than having to wait until the entity's first annual report is published.

- A change to Listing Rule 12.7 to refer to the S&P/ASX 300 – the proposed change will make it easier for entities to ascertain whether they are subject to the audit committee composition requirement which applies to the top-300 entities.[9]

36 ASX considers that its release of the results of its reviews of corporate governance disclosures in annual reports over the last three years has assisted in improving reporting levels.

37 ASX will also be conducting further education sessions on the Revised Principles in the second half of 2008.

COMMENTARY – KEY RECOMMENDATIONS

38 A more detailed analysis of reporting on particular Recommendations is set out below.

Board issues

Recommendation 1.1 – Formalise and disclose the functions reserved to the board and those delegated to management

39 Principle 1 is about clearly delineating the roles of board and management. The overall reporting level for listed companies has always been high and in 2007 the overall reporting level for listed companies improved by 1% to 97%.

40 The reviews of 2005 and 2006 annual reports noted that some reports by listed trusts did not clearly distinguish which entity was reporting and showed confusion between reporting by reference to the Principles and the requirements of the Managed Investments (MI) regime. The review of 2007 annual reports indicates a general improvement in reporting by the listed trust sector on this Recommendation. Most entities clearly identified the Responsible Entity under the MI regime as the reporting entity. The overall reporting level for Recommendation 1.1 for listed trusts in 2007 was 99%, compared to 94% in 2006.

Recommendation 2.1- A majority of the board should be independent directors

41 Principle 2 is about structuring boards to add value. Recommendation 2.1 is about boards having a majority of independent directors.

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[9] Listing Rule 12.7 requires an entity in the S&P All Ordinaries Index at the beginning of its financial year to have an audit committee during that year. If the entity was in the top-300 of that index at the beginning of its financial year it must also comply with Recommendation 4.3 in relation to the composition of the audit committee. 'Top-300 entities' is a reference made in Listing Rule 12.7 to the Top-300 entities listed in that index at the beginning of the entity's financial year. To assist entities in understanding whether they fall within this category at the commencement of the financial year the ASX provides a list of entities in this Top-300 category in the corporate governance section of the ASX web site www.asx.com.au. This list is updated for the beginning of each financial reporting period.

42 As noted in previous reports there continues to be a high level of “if not, why not” reporting for listed companies for this Recommendation. The overall reporting level for this Recommendation is 86%. In 2007, 45% of listed companies reported on an “if not, why not” basis and 41% adopted the Recommendation.

43 The level of “if not, why not” reporting on Recommendation 2.1 for the top-500 listed entities in 2007 dropped by 4% to 25% and the adoption rate increased by 6% to 66% out of an overall reporting level of 91%. As noted in the 2006 Report this confirms anecdotal evidence that smaller listed entities are more likely to adopt alternative board and committee structures and report on an “if not, why not” basis.

44 As in previous years, the main reasons given by listed entities in 2007 for not adopting this Recommendation were board or company size. Other reasons given were that in the company’s circumstances the skills and experience of the non-independent directors were appropriate, the cost of independent directors is too high, or the entity experienced resource limitations.

45 The 2006 Report noted that the results of the review of reporting on director independence and Recommendation 2.1 for listed trusts were unclear, with an overall reporting level of 75%, 49% adoption and 26% “if not, why not” reporting. The review of 2007 annual reports showed an increase of 15% in the overall reporting level for listed trusts to 90% - 64% adoption and 26% “if not, why not” reporting. This increased level of overall reporting is attributable to a 15% increase in adoption reporting levels from 2006 with an unchanged level of “if not, why not” reporting. The 2007 review noted that the number of independent directors on the boards of Responsible Entities often formed the basis for their adoption of this Recommendation.

“Independence” of directors

46 The need for clear disclosure of the existence of the relationships in Box 2.1 and the board’s reasoning for deeming a director “independent” despite the existence of one of these relationships is an area which Council noted during its review of the Principles and Recommendations that entities and their advisers did not seem to clearly understand. The Revised Principles now clearly require entities to identify “independent” directors, the existence of any “relationships affecting independent status” and the reasons why a board considers a director independent, notwithstanding the existence of any of these relationships. The changes to Recommendation 2.1 in the Revised Principles were designed to encourage entities to communicate their reasoning clearly in situations where one of these relationships exists but the board determines a director is independent.

47 The 2007 review found that that 5% of all listed entities reviewed deemed directors “independent” and 29 of these entities were in the top 500 entities. Reasons provided by entities for deeming a director independent despite the existence of one of the relationships in Box 2.1 included:

- The relevant director was a substantial shareholder or a director of a substantial shareholder which did not impact on their independence
- The director was a former adviser/consultant/lawyer but could still be independent
- The director was a longstanding member of the board and the length of their term was not regarded as impacting on independent judgement
- The director was a former executive but was not impeded in their ability to act in the best interests of the company
- An adequate mix of skills and experience on the board would enable the director to act in an independent manner
- Existing business dealings were at arm’s length and were less favourable than business dealing with non-related parties
- The director’s industry experience was considered more important by the board than their independence

- The board had additional safeguards in place to manage conflicts of interest.

Recommendation 2.2 – The chairperson should be an independent director

Recommendation 2.3 – The roles of chairperson and chief executive officer should not be exercised by the same person

48 The overall reporting level for Recommendation 2.2 has always been high, as have the levels of "if not, why not" reporting. The adoption reporting level for listed companies was 52% and the "if not, why not" reporting level was 38%. The adoption reporting level for listed trusts was 56% and the "if not, why not" reporting level was 37%. The overall reporting rate for listed trusts increased by 6% compared to 2006 and the overall reporting level for listed trusts was slightly higher than for listed companies. The adoption rates for this Recommendation are usually higher than the adoption rates for Recommendation 2.1.

49 There was a slight increase in the overall reporting levels for Recommendation 2.3 for both listed companies and listed trusts. The adoption reporting levels and the "if not, why not" reporting levels for listed companies remained relatively consistent with 2006. However, there was a marked change in the adoption and "if not, why not" reporting levels for listed trusts for 2007 compared with 2006. Adoption reporting levels for listed trusts dropped by 9% from 2006 to 79% in 2007 and the "if not why not" reporting level for listed trusts increased by 10% to 14%.

Committees

Recommendation 2.4 – The board should establish a nomination committee

Recommendation 9.2 – The board should establish a remuneration committee

50 The Principles and Recommendations recommend that listed entities establish three governance committees: audit, remuneration and nomination.[10] Recommendation 2.4 is about nomination committees which are responsible for matters relating to the composition of the board, the evaluation of the board and the appointment and removal of directors. Recommendation 9.2 is about establishing a remuneration committee to oversee the development and implementation of remuneration policies.

51 The overall reporting level for Recommendation 2.4 for listed companies remained unchanged at 90% - there was a 7% decrease in the level of adoption for listed companies in 2007 to 31% from 38% in 2006 and a corresponding 7% increase in the level of "if not, why not" reporting for listed companies from 52% in 2006 to 59% in 2007.

52 The overall reporting level for Recommendation 2.4 for listed trusts increased by 9% in 2007 to 92% from 83% in 2006. There was an 11% increase in the adoption reporting level for listed trusts for this Recommendation in 2007 to 38% and a 2% decrease in the "if not, why not" reporting level in 2007 to 54% from 56% in 2006. A comparison with the top-500 listed entities shows an adoption level of 60% in 2007 compared to 64% in 2006, and an "if not, why not" reporting level of 33% compared to 28% in 2006. As noted in previous Reports, this again confirms anecdotal evidence that smaller listed entities are more likely to "if not, why not" report in relation to the Recommendations on committee composition and are comfortable with this reporting approach.

53 The overall reporting level for listed companies for Recommendation 9.2 in 2007 increased by 1% to 96% - 58% of listed companies adopted the Recommendation and 38% reported on an "if not, why not" basis. There was a 2% decrease in the number of listed companies adopting the Recommendation and a corresponding 2% increase in the number of listed companies "if not, why not" reporting. The overall reporting level for listed trusts in 2007 increased by 10% to 92%. In 2007 41% of listed trusts adopted the Recommendation, compared to 24% in 2006 and there was also a decline in the level of "if not, why not" reporting for listed trusts for this Recommendation to 51% in 2007 from 58% in 2006. Once again, the rate of adoption was significantly higher for the top-500 listed entities at 84%.

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[10] See the separate discussion below on Recommendations 4.2 and 4.3 on audit committees.

54 Recommendations 2.4 and 9.2 show high overall reporting levels. The high levels of “if not, why not” reporting for listed entities outside the top-500 listed entities are noteworthy and demonstrate entities’ level of comfort with this form of reporting. The improvements in the reporting levels for listed trusts are also noteworthy and indicate that the increased focus by ASX over the last two to three years on the corporate governance reporting by this sector has improved reporting levels.

55 The reasons given by entities for not adopting this Recommendation include: the size of the entity, the high cost of independent directors and limitations on the entity’s resources.

Audit committees

Recommendation 4.2 – The board should establish an audit committee

Recommendation 4.3 – Structure the audit committee so that it consists of: only non-executive directors, a majority of independent directors, an independent chairperson who is not chairperson of the board and at least three members

56 Recommendation 4.2 recommends that listed entities establish an audit committee and Recommendation 4.3 that the audit committee consists of: only non-executive directors, a majority of independent directors, a chairperson who is not chairperson of the board and at least three members. Listing Rule 12.7 requires top-300 listed entities to comply with Recommendations 4.2 and 4.3 and listed entities in the top-500 to comply with Recommendation 4.2. Listed entities outside the top-500 are not required to have an audit committee under Listing Rule 12.7 but are required to report on their practices in relation to Recommendation 4.2 under Listing Rule 4.10.3.

57 Both listed companies and listed trusts have high reporting levels for Recommendation 4.2, although as noted above there have traditionally been high levels of “if not, why not” reporting in relation to the Recommendation for the reasons noted in relation to the other board governance committees.

58 ASX closely monitors compliance with Listing Rule 12.7. The overall reporting level for listed companies for Recommendation 4.2 in 2007 increased by 1% to 99%. The adoption level for listed companies in 2007 was 72% adoption compared to 77% in 2006, a decrease of 5%. There was a 6% increase in the level of “if not, why not” reporting in 2007 to 27% from 21% in 2006.

59 The overall reporting level for listed trusts increased by 3% in 2007 to 99% - 95% adoption and 3% “if not, why not” reporting. The overall reporting level for the top-500 listed entities for 2007 remained unchanged from 2006 at 100% as did the 99% adoption and 1% “if not, why not” reporting levels. The high levels of adoption for listed trusts are the result of the requirement for these entities to have compliance committees which frequently serve as an audit committee.

60 The results of the review of the top-500 listed entities reflect the requirements of Listing Rule 12.7. The listed trust result is consistent with the Corporations Act requirement that these entities establish a compliance committee which can serve the functions of an audit committee.

61 Outside the top-500 listed entities, the reasons provided for not having an audit committee included the size of the board, the lack of independent directors or that the size and complexity of the entity does not warrant an audit committee. In other cases the entity adopted the Recommendation but stated that the whole board performed the functions of an audit committee.

62 During the 2007 review of compliance with Listing Rule 12.7 by the Top 500 listed entities, ASX identified “possible breaches” of the Listing Rule. All breaches were followed up by ASX Issuers advisers and where applicable enforcement action has been taken. Most of the breaches related to the composition of the audit committee. The main reason for not complying with Listing Rule 12.7 was the presence of an executive or non-independent director on the committee and in one case the entity had moved out of the All Ordinaries Index and was no longer required to have an audit committee.

63 Where entities have been followed up by ASX in relation to a possible breach they have taken action such as appointing additional independent directors and re-arranging the committee composition to ensure compliance.

Codes of conduct

Recommendation 3.1- Establish a code of conduct to guide the directors, the chief executive officer, the chief financial officer and any other key executives as to the practices necessary to maintain confidence in the company's integrity [and] the responsibility and accountability of individuals for reporting and investigating reports of unethical practices

Recommendation 3.3 – Provide the information indicated in Guide to reporting on Principle 3 – disclosure of code of conduct

Recommendation 10.1- Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

64 Recommendations 3.1 and 10.1 recommend that companies establish codes of conduct. In Principle 3 this Recommendation is in the context of promoting ethical and responsible decision making, and in Principle 10 it is in the context of recognising legal and other obligations to stakeholders. Recommendation 3.3 and the Guide to reporting for Principle 10 recommend that relevant codes of conduct or summaries are made publicly available. There have been significant changes to these two Principles in the Revised Principles and for this reason the review team focused on entities' reporting in relation to these Principles.

65 The rates of overall reporting for listed companies for Recommendations 3.1, 3.2 and 10.1 have increased substantially since the first review in 2004 and continued to improve in 2007. The overall reporting level for Recommendation 3.1 for listed companies increased to 91% in 2007 from 89% in 2006 with an 82% adoption reporting level. The overall reporting level for Recommendation 3.3 for listed companies improved by 7% in 2007 to 80% with an adoption reporting level of 70%. The overall reporting level for Recommendation 10.1 for listed companies increased to 89% from 87% in 2006 with a 79% adoption reporting level.

66 The overall reporting level for listed trusts for Recommendation 3.1 increased by 6% to 97% in 2007 with an 89% adoption reporting level. The overall reporting level for Recommendation 3.3 for listed trusts improved to 96% in 2007 with an 86% adoption reporting level which was a 39% improvement on the reporting level for 2006 of 57% in 2006.[11] The overall reporting level for Recommendation 10.1 for listed trusts increased by 14% in 2007 to 96%.

67 There has been an improvement in the number of entities reporting on adoption of codes of conduct under Recommendation 3.1 and the rates of disclosure of the codes under Recommendation 3.3. In 2007:

- 82% of listed companies reported the adoption of a code of conduct under Recommendation 3.1 and 70% disclosed a code of conduct or a summary under Recommendation 3.3. This compares to a 63% rate of disclosure under Recommendation 3.3 in 2006.

- 89% of listed trusts reported the adoption of a code of conduct under Recommendation 3.1 and 86% disclosed a code or a summary under Recommendation 3.3. The compares to a 53% rate of disclosure under Recommendation 3.3 in 2006.

68 The results indicate that while there has been a significant improvement in the rate of disclosure by listed trusts and in entities reporting the adoption of codes of conduct, fewer are disclosing these codes. ASX considers that to provide meaningful information under Principle 3, where entities report the adoption of a code of conduct they should disclose the code or a summary. Where the code is located somewhere other than in the annual report there should be a clear reference to its whereabouts in the corporate governance statement in the annual report.

69 ASX reminds entities of the changes to Recommendation 3.1 in the Revised Principles which clearly recommend establishing and disclosing a code of conduct or a summary which should be made publicly available, ideally by posting it to the entity's website in a clearly marked corporate governance section. The

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[11] The drop in the reporting level for this Recommendation for listed trusts from 84% in 2005 to 57% in 2006 was the result of a change in methodology between the 2005 and 2006 review. The reason for the change in methodology was to ascertain how many entities reported they had adopted a code of conduct, but did not then disclose the code.

Revised Principles define “summary” as a description of the main provisions of a code in sufficient detail to understand the purpose of the document.

Policies

Recommendation 3.2 – Disclose the policy concerning trading in company securities by directors, officers and employees

Recommendation 5.1 – Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance

Recommendation 6.1 – Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings

70 Each of these Recommendations is concerned with the disclosure of various policies - trading policies, disclosure policies and communications strategies. Since the first review of 2004 annual reports reporting in relation to each of these Recommendations has shown steady improvement with marked increases in the reporting levels for listed trusts for Recommendations 3.2 and 6.1.

71 The results of the review show:

- The overall reporting level for Recommendation 3.2 for listed companies remained static in 2007 at 92% with an 88% adoption reporting level. There was an 8 % increase in the overall reporting level for listed trusts in 2007 to 95% with an adoption reporting level of 94%

- The overall reporting level for Recommendation 5.1 for listed companies increased by 2% to 93% with an adoption reporting level of 87%. The overall reporting level for listed trusts increased by 1% to 97% with a 93% adoption reporting level. The review also noted high levels of disclosure of the policies or summaries of these policies possibly because this Recommendation relates to Listing Rule obligations

- The overall reporting level for Recommendation 6.1 for listed companies remained static at 90% as did the adoption reporting level of 87%. The overall reporting level for listed trusts increased by 6% to 96% with a 95% adoption reporting level.

Risk management

Recommendation 7.1 – The board or appropriate board committee should establish policies on risk oversight and management

Recommendation 7.3 – Provide an explanation of any departures from Recommendations 7.1 and 7.2 and a description of the company’s risk management policy and internal control system

72 Recommendation 7.1 is about establishing policies on risk oversight and management and Recommendation 7.3 recommends making a description of a company’s risk management policy publicly available.

73 The overall reporting level for Recommendation 7.1 in 2007 for listed companies was 94%. This reporting level is unchanged from 2006. The overall reporting level in 2007 for listed trusts for Recommendation 7.1 was 98%, an increase of 1% from 2006.

74 As is the case with the codes of conduct and policies, 85% of listed companies and 96% of listed trusts indicate adoption of Recommendation 7.1 but did not then disclose descriptions of the policies they report adopting. The adoption reporting levels for Recommendation 7.3 were 63% for listed companies and 79% for listed trusts.

75 ASX reminds entities that Principle 7 in the Revised Principles has been substantially re-written and of the need for improved disclosure in relation to risk management policies.

76 One anomaly noted in relation to the review of Recommendation 7.2, is that while the overall reporting levels for Recommendation 4.1, the “CEO/CFO sign-off” which is now mandated in Section 295A of the Corporations Act for entities subject to the Act, are 98% for listed companies and 100% for listed trusts. The reporting levels for Recommendation 7.2 for 2007 were comparatively low at 77% for listed companies and 83% for listed trusts.

77 ASX considers that some entities will need to review their reporting in relation to Principle 7 when making the transition to reporting against the Revised Principles, particularly in view of Council’s re-structuring of Principle 7. Principle 7 in the Revised Principles has been restructured to recommend that:

- Entities should establish policies on risk management or summaries and disclose these policies
- Boards should require management to design and implement a risk management and internal control system to manage their material business risks and report to it on whether they are being managed effectively. The board should disclose that management has reported on this issue
- Boards should disclose that the Section 295A is founded on a sound system of risk management that is operating effectively in all material respects in relation to material business risks.

78 Looking forward to the Revised Principles the review looked at whether entities reported on a wider range of risks in 2007. The review found that approximately 15% of entities reported on a wider range of risks. Of the entities that reported on a wider range of risks, the risks most commonly reported on were: compliance 70%, financial reporting 65%, operational 64%, environmental 54%. Other types of risks reported on were; people, strategic, sustainability, strategic, ethical conduct, reputation/brand, technological, product/service quality, human capital and other including OH&S and legal.

Remuneration

Recommendation 9.1 – Provide disclosure in relation to the company’s remuneration policies to enable investors to understand the costs and benefits of those polices and the link between remuneration paid to directors and key executives and corporate performance

79 As with the 2006 review the 2007 review of listed companies and listed trusts revealed high levels of overall reporting on remuneration. Over 98% of listed companies reported on this Recommendation. ASX notes that entities now include much of the information covered by Recommendation 9.1 in the remuneration report within the directors’ report rather than the corporate governance statement in the annual report. Cross references in the corporate governance statement to the remuneration report assist users of this information.

80 The 2007 review of listed trusts indicates an improvement of 9% in the overall reporting level for Recommendation 9.1 to 94%. The review of listed trusts focussed on reporting on management arrangements in place rather than on remuneration paid, which is usually irrelevant for listed trusts because of their management structures.

Recommendation 9.3 – Clearly distinguish the structure of non-executive director remuneration from that of executives

81 The overall reporting level for this Recommendation in 2007 was 89% for listed companies with an adoption reporting level of 85%. This was a 7% decrease on the overall reporting level for 2006. The overall reporting level for 2007 for listed trusts was 91% with a 55% adoption reporting level. This represents an 8% increase on the overall reporting level for listed trusts. The decline in the overall reporting level and the level of non-reporting on this Recommendation for listed companies is difficult to explain in view of the fact that this material is now required to be included in the Remuneration Report and the Accounting Standards disclosures. ASX reminds listed entities of the importance of providing summaries of this material or clear cross references in the Corporate Governance statement to its location

Recommendation 9.4 – Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders

82 As noted in previous Reports a review of reporting on this Recommendation is difficult because of the ambiguity of the drafting of the Recommendation.[12] In order to obtain information about equity-based executive remuneration reporting the 2007 review examined what entities disclosed about executive equity-based executive remuneration in the annual report. Where this information was disclosed the review looked at whether it was possible to determine whether shareholders had approved the remuneration.

83 The 2007 review indicates an overall reporting level for listed companies of 88% with an adoption reporting level of 68%. Of the 68% of listed companies that adopted the Recommendation approximately half indicated that the payment of equity-based executive remuneration was in accordance with plans approved by shareholders and the other half were unclear as to whether the remuneration was approved by shareholders. The comparable reporting levels for 2006 for listed companies were an overall reporting level of 97% and an adoption reporting level of 70% and an "if not, why not" reporting level of 27%. The number of companies not reporting on this Recommendation increased in by 9% in 2007 to 12%. This Recommendation has been removed from the Revised Principles and the reason for the drop in the overall reporting level may be that listed companies were uncertain as to whether they were still required to report in relation to this Recommendation. In the case of those companies not reporting it was unclear from the annual report as to whether equity-based executive remuneration was paid.

84 The overall reporting level for this Recommendation for listed trusts in 2007 was 82% with an adoption reporting level of 24%. It should be noted that the terms of the management agreement generally determine the remuneration arrangements for listed trusts so that it is difficult to make a meaningful comparison between the reporting levels for listed companies and listed trusts for this Recommendation.

THE REVISED *CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS*

85 Following a 12 month review of the Principles and Recommendations and extensive public consultation the Council released the Revised Principles which:

- Remove areas of regulatory overlap between the existing Principles and Recommendations and equivalent provisions in the Corporations Act or the Accounting Standards, by removing Recommendations 4.1, 6.2 and 9.1.
- Provide further assistance for companies and investors to better understand the application of certain Principles by merging principles which cover common areas of governance, for example, by merging Principle 8 into Principles 1 and 2, and Principle 10 into Principles 3 and 7
- Refine the Principles to take into account internal feedback and feedback from users of corporate governance information and Council's public consultation
- Ensure consistent terminology throughout the Principles
- Provide greater clarity and remove possible ambiguities in certain Principles
- Provide additional explanation and commentary about "if not, why not" reporting

86 Over 120 listed entities made submissions on Council's proposals. The large number of responses from listed entities indicates the high degree of importance they attach to corporate governance issues. The Council Chair and Secretariat and Council members have also made presentations on the Revised Principles to a diverse range of groups, thereby raising the profile of the importance of transparency in disclosure of corporate governance information and of the changes to the Principles.

[12] The difficulties with the drafting and interpretation of this Recommendation were discussed by Council in its public consultation on the Revised Principles and in the Response Document which Council released to accompany the Revised Principles.

87 The effective date for the Revised Principles is the first financial year starting on or after 1 January 2008. Where a company's financial year begins on or after 1 January, disclosure will be required in relation to the financial year 1 January 2008 – 31 December 2008 and will be made in the annual report published in 2009. Where a company's financial year begins on 1 July, disclosure will be required in relation to the financial year 1 July 2008 - 30 June 2009 and will be made in the annual report published in 2009. Council encouraged entities to make an early transition to the Revised Principles and to consider reporting by reference to the Recommendations when reporting for the 2007 - 2008 year.

88 Council will be releasing changes to the Supplementary Guidance to Principle 7 prior to 30 June 2008.

89 ASX notes that some entities referred to the Revised Principles in the 2007 annual reports. ASX notes that a number of entities may, but are not required to make the transition to reporting by reference to the Revised Principles in their annual reports published in 2008. ASX reminds entities of the need to clearly specify to which edition of the Principles their report refers and of the importance of ensuring that the report is clear and able to be easily understood. Entities may prepare separate reports for each edition in the one document but should not use a combination of editions in the same report.

90 ASX also notes that this may be the last year in which all listed entities are likely to report against the 2003 edition of the Principles and Recommendations.

BACKGROUND INFORMATION

91 ASX has produced annual reviews of corporate governance reporting in annual reports since May 2005. These reviews cover reporting of corporate governance practices reported in annual reports between 2004 and 2007.[13] In October 2006 ASX also produced the first analysis of the corporate governance practices reported in the 2005 annual reports of listed trusts. The analyses were based on information gathered from 2004 and 2005 annual reports as part of ASX's review of compliance with its Listing Rules and the Council's Principles and Recommendations. In June 2007 ASX released the first combined review of the corporate governance practices reported in 2006 annual reports for both listed trusts and listed companies. This review of 2007 annual reports is the second combined review of the annual reports of both listed companies and listed trusts.

92 The ASX Listing Rules contain three rules which specifically support the Principles and the Recommendations - Listing Rule 4.10.3, Listing Rule 12.7 and Listing Rule 1.1 Condition 13.

93 Listing Rule 4.10.3 requires entities to disclose in the corporate governance statement of the annual report the extent to which the company has followed the Recommendations for the period covered by the report and, if a Recommendation is not followed, the reasons for not following the Recommendation. Disclosure is to be on an "if not, why not" basis.

94 Listing Rule 12.7 requires that all companies included in the S&P All Ordinaries Index at the beginning of its financial year comply with Recommendation 4.2 and have an audit committee in place from the commencement of the financial year. In addition, Listing Rule 12.7 requires that the composition of the audit committee for all companies in the top-300 of that Index must comply with Recommendation 4.3 and comprise only non-executive directors, a majority of independent directors, an independent chairperson who is not the chair of the board and at least three members. Listing Rule 1.1 Condition 13 reflects Listing Rule 12.7 and requires newly listed companies included in either the top-300 or top-500 to meet similar audit committee requirements on listing.

METHODOLOGY

95 The results contained in this report are based on a review of annual reports with financial statements having a 30 June 2006 balance date. This involved reviewing a total of 1,291 listed entity annual reports including the annual reports of 84 listed trusts. This number represents approximately 67% of all listed entities at 30 June 2006, the total number being 1,930.[14]

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[13] These reports are at http://www.asx.com.au/supervision/governance/monitoring_compliance.htm.
[14] See the ASX Annual Report 2006 at page 4.

96 In the first instance, the review considered compliance with the Listing Rules, in particular Listing Rule 4.10.3. An entity was found to have complied with this Listing Rule in relation to a Recommendation where the entity reported on its approach to the Recommendation in some form and whether it followed or adopted the Recommendation or not and, if not, provided some explanation for why not. The explanation could be in the form of reasons for non-adoption of the Recommendation: for example, the entity was too small to justify appointment of independent directors, or in the form of a description of an alternate practice, for example, that the whole board performs the duty of a particular committee.

97 The review considered compliance with Listing Rule 12.7 in relation to audit committees in relation to those entities required to comply this Rule.

98 The review also looked at the rate of actual adoption of each of the Recommendations in addition to the rate of compliance with the Listing Rules.

99 Listed companies or listed trusts not having a balance date of 30 June, exempt or foreign companies and entities that had been suspended or deregistered post this balance date were excluded from the review. Each report was reviewed for disclosure in relation to each of the 28 Recommendations. This equates to approximately 36,000 individual actions.

Appendix 1 – ASX Corporate Governance Council Principles and Recommendations

1	**Lay solid foundations for board and management**
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.
2	**Structure the board to add value**
2.1	A majority of the board should be independent directors.
2.2	The chairperson should be an independent director.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.
2.4	The board should establish a nomination committee.
2.5	Provide the information indicated in Guide to reporting on Principle 2.
3	**Promote ethical and responsible decision making**
Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	
3.1.1	The practices necessary to maintain confidence in the company's integrity.
3.1.2	The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.
3.3	Provide the information indicated in Guide to reporting on Principle 3.
4	**Safeguard integrity in financial reporting**
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.
4.2	The board should establish an audit committee.
4.3	Structure the audit committee so that it consists of: only non-executive directors, a majority of independent directors, an independent chairperson, who is not chairperson of the board, at least three members.
4.4	The audit committee should have a formal charter.
4.5	Provide the information indicated in Guide to reporting on Principle 4.
5	**Make timely and balanced disclosure**
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.
5.2	Provide the information indicated in Guide to reporting on Principle 5.
6	**Respect the rights of shareholders**
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

7	Recognise and manage risk
7.1	The board or appropriate board committee should establish policies on risk oversight and management.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: 7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board. 7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
7.3	Provide the information indicated in Guide to reporting on Principle 7.
8	**Encourage enhanced performance**
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.
9	**Remunerate fairly and responsibly**
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.
9.2	The board should establish a remuneration committee.
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.
9.5	Provide the information indicated in Guide to reporting on Principle 9.
10	**Recognise the legitimate interests of stakeholders**
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.