MEDIA RELEASE

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ASX responds to RiskMetrics report on externally managed entities

The Australian Securities Exchange (ASX) welcomes the latest report by RiskMetrics: *Breaking Up is Hard To Do - Lessons from Privatising, Internalising and Winding Up Externally Managed Entities*.

Although ASX is supportive of the desirability of full transparency to investors of the terms of management agreements, ASX differs with RiskMetrics on how to achieve optimal transparency.

Outlined below are ASX responses to some of the issues raised by RiskMetrics in its report.

ASX does not accept RiskMetrics' suggestion that it is incumbent upon ASX "in order to ensure investors and prospective investors are fully informed" to engage in the ad hoc demanding of disclosure from all listed entities in a particular sector of the matters identified by RiskMetrics.

The framework for maintaining a fully informed market rests on disclosure to investors by issuers under the prospectus provisions of the Corporations Act, and ASX Listing Rule 3.1. The principles on which the Listing Rules are based embrace the interests of listed entities, the maintenance of investor protection and the need to protect the reputation of the market.

Management agreements

ASX's position on disclosure of external management agreements is set out in Guidance Note 26 to the Listing Rules, released on 29 August 2008. The Corporations Act requires entities offering securities under a prospectus to make disclosure to prospective investors of information that would reasonably be required by them.

The content of prospectuses is a matter for the issuers of those documents, as is their compliance with the Corporations Act. Guidance Note 26 encourages entities with external management agreements to address 10 key areas about those agreements so that investors are better informed.

The Guidance Note also encourages entities to disclose the full agreement on an 'if not why not basis'. That is, listed entities are encouraged to make a full copy of the agreement available to shareholders upon request or provide an explanation as to why they do not make their full agreement available.

While the Guidance Note does not purport to be an exhaustive or a prescriptive list of things that must be disclosed, there is nothing in RiskMetrics' report released on 18 September 2008 that causes ASX to resile from the position expressed in that Guidance Note. Guidance Note 26 can be found here: http://www.asx.com.au/supervision/rules_guidance/listing_rules_guidance.htm

Pre-emptive rights

ASX has no evidence of systemic non-disclosure, giving rise to the need to demand from all entities an explanation on a one-off basis of whether they are parties to pre-emptive rights agreements that might be triggered upon a change of control.

The existence of pre-emptive rights over a listed entity's assets, or particular assets, including whether those rights may be triggered by a change in control of a listed entity or a change to its manager, may be appropriate matters for disclosure in a prospectus.

In addition, Listing Rule 3.1 requires the disclosure of all material information in relation to the acquisition of a significant asset. This may include the existence of pre-emptive rights in relation to the significant assets.

It is the obligation of each listed entity to determine whether specific information is material and requires disclosure in the context of any particular transaction.

Change of managers or winding-up proposal

If there are agreements in place relating to disposal of an entity's portfolio of assets or other matters in the event of a change to the manager of a listed vehicle, or a proposal to wind it up, disclosure of the material terms of these agreements should be made by listed entities under their normal disclosure obligations under Listing Rule 3.1.

The Listing Rules can be found here: http://www.asx.com.au/supervision/rules_guidance/listing_rules1.htm

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