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By email

Mr Kevin Lewis  
Chief Compliance Officer  
Australian Securities Exchange  
PO Box H224  
Australia Square NSW 1215

Dear Kevin,

The Australasian Investor Relations Association would like to thank the ASX for the opportunity to comment on its proposed Guidance Note 8, connected particularly to Listing Rule 3.1.

The Australasian Investor Relations Association (AIRA) was formed with the object of advancing the awareness of and best practice in investor relations in Australasia and thereby improving the relationship between listed entities and the investment community. Among other aims, it seeks to act as a united voice for the investor relations community, in areas advancing professional standards, including in best practice disclosure. AIRA's 150 corporate members represent approximately two-thirds of the market capitalization listed on ASX.

The work the ASX has done in reviewing from the ground up the Guidance on continuous disclosure is very welcome. We think that few regimes offer such detailed and helpful guidance, and since decisions over disclosure are central to the day to day tasks of IROs, clarity over compliance is helpful.

Commenting on some specifics:

1. Ad hoc disclosure decisions are rarely straightforward. As you acknowledge, predicting how the markets will react to a specific piece of information or news is tough, as is predicting the % movement in a share price. IROs often think of their main task as creating the context in which this information should be viewed allowing investors to decide for themselves. Consequently providing principles based guidance and examples is a good approach.

2. We also welcome clarity over the term *immediately* and the conditions under which some form of delay is acceptable, and the specific use of trading halts. With a growing proportion of Australian equity held by foreign investors, from markets where trading halts and suspensions can have pejorative overtones, such clarity (for those investors) is welcome.
3. Clarity over when information is *definite* is also welcome. Knowing at which precise moment to disclose a transaction, and whether and how to respond to press speculation, has long been challenging. This has been added to by the recent European *Daimler* ruling by the ECJ which noted that *“where there is a protracted process which is intended to bring about a particular circumstance or to generate a particular event, not only may that future circumstance or event be regarded as precise information, but also the intermediate steps of that process which are connected with bringing about that future circumstance or event.”* International investors' expectations may have been added to by this ruling.

The other event which is of interest to IROs is the UK FSA prosecution of Ian Hannam at JP Morgan. We note that this case is subject to appeal, but it is an example of circumstances that can occur when it is not clear when information is precise. Any additional guidance on communicating market rumours would be welcome.

One area where we believe further clarifications would be welcome is around earnings guidance, and any connected surprises. These events are especially challenging for IR teams. ASX notes that where the difference is of such magnitude that a reasonable person would expect it to have a material effect on the price or value of the entity's securities, disclosure is required under Listing Rule 3.1. The withdrawal of previous guidance that a variation of 10% to 15% against earnings guidance or against consensus or the results of the prior corresponding period ought to be disclosed under Listing Rule 3.1 is welcome, for the reasons we note above.

However, this connects to when information is deemed to be insufficiently definite to warrant disclosure. Being able to estimate with accuracy both the financial impact of events on the future earnings of the company, *and* the share price impact will test the forecasting skills of many analysts, and the judgement calls of many IROs.

It would also be helpful for the ASX to define *guidance*. The types of guidance companies issue can vary widely. Some may provide guidance on earnings per share, others give only revenue guidance. Many companies also provide projections regarding adjusted net income or adjusted EBITDA. Often, these adjusted measures of operating performance may be easier to predict since they are unaffected by many of the income statement items that affect earnings per share. Some guidance may focus on other operating data. For longer-term guidance, companies may provide more subjective goals and forecasts. The type of guidance companies provide depends on the type of company, the industry and comparable guidance provided by its peers, and on the particular facts and circumstances of each individual company.

Assisting companies in the required disclosure by clarifying what ASX means by *guidance* would be very welcome.

We would also comment on *consensus earnings*. Many companies with a good level of coverage are in the habit of collecting analysts' models. From these they derive an internal consensus around not only earnings, but also analysts' revenues forecasts and many other line items from the P&L. They do this because of perceived weaknesses in the publicly available and widely used

consensus providers, such as inclusion of out of date forecasts and incorrect data. A few companies go further and make this internally created data available on their websites.

Thank you again for the opportunity to comment on your helpful Guidance, and of course remain open to discuss any points raised in our letter.

Yours sincerely

A handwritten signature in black ink that reads "Ian Matheson". The signature is written in a cursive style with a horizontal line underneath the name.

Ian Matheson

Chief Executive officer of AIRA