

# Listed@ASX Compliance Update

15 June 2016



## Update no 6/16

### 1. KPMG reports on adoption of third edition of corporate governance recommendations

The ASX Education & Research Program recently commissioned KPMG to produce two reports on the adoption by ASX listed entities of the recommendations in the third edition of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (Recommendations)*.

One report (the fourth in a series of diversity reports by KPMG since 2012) addresses the modified diversity recommendations in the third edition, while the other report addresses the nine other new or modified recommendations in the third edition.

The two reports are available [here](#).

The reports provide valuable insights into how ASX listed entities are meeting their "if not why not" reporting obligations under the third edition of the Recommendations and enable listed entities to benchmark their governance disclosures against their peers. They also identify areas where corporate governance disclosures can be improved. Listed entities should find them especially helpful as they come to prepare their corporate governance disclosures for their FY16 annual reports.

#### Diversity findings

KPMG found that following the additional guidance provided in the third edition of the Recommendations, there was a noticeable improvement in the number of listed entities disclosing objectives against which progress can be easily measured.

However, few entities set or disclosed transparent quantitative objectives such as '30 percent of director seats to be held by women by 2018'. The majority of measurable objectives focused on implementing diversity programs or initiatives such as 'undertaking a pay equity review', 'implementing programs in unconscious bias' or 'undertaking an all-employee satisfaction survey'.

There also continued to be a number of entities reporting more aspirational objectives such as 'achieving a culture of inclusion', against which it would be difficult for these entities to measure their progress.

KPMG recommended that entities could improve their diversity disclosures by clearly setting out:

- clear, numerical or quantifiable objectives
- the timeframes for achieving those objectives
- the initiatives that will be implemented to turn these objectives into results, and
- the progress achieved in meeting these objectives in the reporting period.

#### Findings on adoption of other new or modified recommendations

KPMG's research showed a high level of acceptance of the nine new or modified non-diversity

recommendations in the third edition of the Recommendations. However, it also highlighted a number of areas where disclosure practices could be improved, especially in relation to recommendation 2.2 (board skills matrix) and 7.4 (sustainability risks).

KPMG found that a number of listed entities sought to address recommendation 2.2 by simply referring to their directors' bios in their annual report, leaving it to readers to determine from the limited information there what mix of skills and diversity the board currently has or is looking to achieve in its membership. That plainly does not meet the spirit or intent of recommendation 2.2.

Likewise, KPMG found that a number of listed entities sought to address recommendation 7.4 by simply cross-referring to the risk disclosures in their operating and financial review (**OFR**) but the risk disclosures in the OFR often did not specifically cover sustainability risks. Again, that plainly does not meet the spirit or intent of recommendation 7.4.

More generally, there appeared to be significant differences in the interpretation of what constitutes a material sustainability risk. Across various sectors, KPMG found that some entities in the sector identified potential material sustainability risks while other entities in the same sector opined that they did not have any exposure to material sustainability risks, despite presumably having similar risk profiles.

ASX will be looking for an improvement in the disclosures under recommendation 2.2 and 7.4 in the FY16 annual reports of its listed entities.

ASX strongly encourages listed entities to avail themselves of the two KPMG reports and take account of their learnings when they come to draft their corporate governance disclosures for FY16.

## 2. Dividend and distribution information

Listed entities declaring a dividend or distribution for the period ending **30 June 2016** are reminded that they must use ASX Online forms to announce the dividend or distribution and that if they wish to set a record date of **30 June 2016**, they will need to announce the dividend or distribution by no later than **24 June 2016** (Day 0 in the Appendix 6A paragraph 1 timetable).

Listed entities should include the following information in their announcements (refer to Appendix 6A paragraph 1):

- Conduit foreign income - where an entity announces a dividend or distribution that is fully or partially unfranked, the announcement should make clear the conduit foreign income (CFI) component of that dividend or distribution, even if the CFI component is nil.

In the online form, please note that questions 3A.4 Franked amount, 3A.6 Unfranked amount and 3A.7 Conduit Foreign Income amount should all add up to the total amount of the dividend/distribution as advised at question 3A.1b (that is, the Conduit Foreign Income amount is exclusive of the Unfranked amount).

The announcement of franking details is not compulsory when announcing an estimate of a dividend or distribution.

- Dividend/distribution reinvestment plans (DRP) - where an entity has a DRP or other plan in place, ASX requests that the entity make it clear in the announcement whether the DRP will operate or will be suspended for that particular dividend or distribution. If the DRP will operate, the following information should also be given:
  - the last date for electing to participate in the DRP (question 4A.2 in the online form);
  - the discount rate, if applicable (question 4A.3 in the online form);
  - the ranking of the securities to be issued pursuant to the DRP (question 4A.8a in the online form); and
  - pricing period and the pricing methodology for determining the issue price under the DRP (questions 4A.4 and 4A.5 in the online form).

If at the time when the dividend or distribution is announced it has not been decided by the entity whether the DRP will operate, or the above details are not known, the entity should give an indication of when the entity expects to confirm details of the DRP's operation (using Part 5 'Further information' if advising by online form).

**Listed entities are also reminded to advise any update to dividend information (including actual amounts and DRP prices) by completing and submitting an Updated Online Form.**

If you have any questions please contact your Listings Compliance Adviser or email: [onlineforms@asx.com.au](mailto:onlineforms@asx.com.au).

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