

Governance & Supervision



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Introduction

Good morning and thank you very much for inviting me to speak to you today on “Governance & Supervision”. There is certainly a lot happening in the areas of governance and supervision with an important development being the Government’s proposed changes to the supervisory framework which was announced in August of this year. [CLICK]

Government’s proposed changes to the regulatory framework

Extract from Government’s announcement on 24 August 2009:

“ ... individual markets – such as the Australian Securities Exchange (ASX) - will retain responsibility for supervising the entities listed on them.”



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In summary, the Government announced that from the 4th quarter of 2010, ASIC will take on the supervision of trading on all exchange-

based financial markets. As the details of the delineation of responsibilities in the broker space are still being worked out, I am not in the position to discuss what is happening with broker supervision.. However, such a constraint does not apply to listed entity supervision because, under the Government's plan, ASX will continue to have responsibility for the supervision of listed entities.

Today I will speak to you with two hats on: as Chair of the ASX Corporate Governance Council and as Chief Supervision Officer of ASX Markets Supervision (ASXMS).

Bearing in mind that there may be areas of overlap between the activities of the ASX Corporate Governance Council and ASX, I am proposing that I start first with the developments being considered by the ASX Corporate Governance Council and follow that with the key elements in ASXMS's planned supervisory work program in the listed entity space for FY 10. All this should take about 30 minutes leaving 10 minutes for any questions you might have.

Before I start on some of the weighty matters that have engaged the minds of government, the Corporate Governance Council, ASX and all those who have an interest in maintaining high governance and supervisory standards, I would like to share a joke with you about investor relations because it has relevance to what I have to say. It is a variant on the old light bulb joke and it goes like this:

Question: How many investor relations officers does it take to change a light bulb?

Answer: None. Management prefers to keep investors in the dark.

Of course this is only a joke and is not a reflection of prevailing management attitudes. That so many of you are here today suggests that it is not.

Promoting meaningful disclosure is a common goal for regulators and supervisors as well as investor relations professionals, like yourselves, who seek to promote better investor understanding of your companies. Not surprisingly, disclosure being an important thread that ties together many of the proposed outcomes to the issues under consideration, is one of the key themes of my speech today.

Corporate governance arrangements under consideration

There are a number of matters being considered by the ASX Corporate Governance Council and the main ones that may be of interest to you are:

[CLICK]



Corporate Governance arrangements under consideration

- Corporate briefings to analysts
- Black out trading by directors
- Executive remuneration
- Diversity

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- Corporate briefings to analysts
- Black out trading by directors
- Executive remuneration in Australia
- Diversity

Let me start with a topic which many of you in the audience will deal with on a regular basis.

Corporate briefings to analysts

[CLICK]



Most of you would be aware that there have been concerns that the practice of one-on-one briefings could mean that critical information is provided selectively at the expense of other analysts, shareholders and the general public. There might be instances where this has occurred or it might be a perception only. However, the Government was concerned enough that the perception that this occurs could lead to a lack of confidence in the integrity of the financial markets and also provide opportunities for insider trading.

Therefore, one strand of the Capital and Markets Advisory Committee's (CAMAC)'s recent review on Aspects of Market Integrity was the role of corporate briefings to analysts and whether any changes were required to the current framework and what form these changes should take. This report was released in June of this year.

In this report, CAMAC concluded that the analyst briefings serve a useful function and supplement a company's formal disclosures to the market. It also concluded that there was no need for legislative change but recommended that the ASX Corporate Governance Council consider building on current regulatory and industry guidance.

It is not surprising that some of CAMAC's suggestions are not dissimilar to AIRA's guidance on how to avoid breaches of insider trading provisions or ASX's Listing Rule 3.1 disclosure obligations when conducting briefings with analysts. I will not be running through the AIRA guidance as you would be familiar with it.

Currently, "Principle 6 of the Corporate Governance Principles and Recommendations – Respect the rights of shareholders" provides guidance to companies on how they can more effectively communicate with their shareholders. Further, one of the measures included in "Box 6.1 - Using electronic communications effectively", addresses how listed entities may better deal with analyst briefings. In this section, companies are asked to consider webcasting or teleconferencing analyst or media briefings and general meetings, or posting transcripts (whether in full or in summary) of these events to their websites.

Council in its deliberations has focused on group briefings (which includes meetings with fund managers and broking research analysts.)

[CLICK]



Corporate briefings to analysts

Council's deliberations:

- Group briefings only

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By way of background, these briefings follow a set trajectory of events, namely:

- Lodgement of a material announcement under Listing Rule 3.1 via the ASX Company Announcements Platform;
- Dissemination of this information via the company's website and through third party reports (e.g. Bloomberg, Thomson Reuters, IRESS etc);
- Group briefings of brokers and analysts by representatives from the listed entity (e.g. CEO, CFO, General Counsel and Corporate / Investor Relations managers). These group meetings generally take place following the release of results (twice a year); and also following the AGM and there is more likely to be one other scheduled group meeting per year (e.g. Investor Day or Strategic Update). The medium used in the group meetings could include teleconferencing and/or web-casting.
- One-on-one briefings taking place following group meetings.

At this stage, as I have said earlier, the Council has focused on group briefings as it has some concerns about introducing obligations around providing advance notification about and access to one-on-one meetings on the basis that such notification and access would be impractical.

[CLICK]

Corporate briefings to analysts

Council's deliberations:

- Group briefings only
- Maintaining records of meetings with analysts
- Notifying stakeholders in advance of group briefings



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Council has also considered whether listed entities should provide greater transparency by maintaining records of meeting with analysts,

and whether greater participation in group briefings should be encouraged by notifying stakeholders in advance as well as by making them more widely accessible, for example through the use of web-casting. The Council hopes to be in a position to announce its in-principle position on these issues within the next one to two weeks.

As an observation, this is one area where companies have plenty of scope to explore technological innovations to keep their investors not only better informed, but informed in a timely way and should not at all feel constrained by the technological means suggested by the Council.

Moving along from one area where there has been the perception of corporate behaviour that undermines the principle of a level playing field to another area where perceptions also matter, I will now speak about:

Directors' trading in "black out" periods [CLICK]



[CLICK]

Directors' trading in black-out periods

	Q1 08	Q3 08	Q1 09
Level of active trading by directors	43%	50%	33%

Majority of company responses received said:

- Director not in possession of undisclosed, material information
- Trading approved by Board Chair

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Trading by directors or other insiders during a black out period is currently not prohibited if this trading does not contravene insider

trading provisions in the Corporations Act, improper use of corporate information or market misconduct. Most of you also would be familiar with the disclosure requirements placed on directors' trading including trading during black out periods.

Under the ASX Corporate Governance Council's Recommendation 3.2, it states that companies should establish a trading policy and disclose that policy or a summary of that policy. There is currently nothing in the ASX Listing Rules covering directors' trading during the black out period.

Notwithstanding that the ASX Listing Rules do not cover black out trading, in Q1 2008 ASXMS commenced an on-going review of directors' trading during the black out period and have released three reports since then with the fourth report covering Q3 2009 due to be released shortly. 92% of the companies surveyed in Q3 08 and 86% of the companies in Q1 09 had trading policies.

Seemingly significant levels of active trading by directors in the securities of their companies were identified – 43% in Q1 08, 50% in Q3 08 and 33% in Q1 09¹. In the majority of cases, companies responded that the trading was approved by the Chair of the Board on the basis that the director was not in possession of material information that had not been released to the market at the time of the trade. With these responses, the review could only conclude that there was only a low level of contravention of the trading policies of listed companies, involving a small number of directors.

Director's trading also was an area reviewed by CAMAC. In its report, CAMAC made the point that a high incidence of directors' trading in the shares of their company during a period "where they can be presumed to be better informed than the market about forthcoming results is not likely to engender confidence". It went on to note that directors should not trade during the blackout period, other than in exceptional circumstances.

¹ Represents total number of active trades during the black-out period as a % of active trades.

To improve performance in this area, [CLICK]

Black-out trading - CAMAC's position

Council includes best practice approach in a new Recommendation ⇒ “if not, why not”

ASX incorporates best practice approach in new Listing Rule provisions ⇒ Mandatory for all listed entities

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CAMAC suggests that the Council considers incorporating a best practice approach in the Principles and Recommendations so that companies would be obliged to follow best practice or explain why they have not complied (the “if not, why not” reporting requirement). It also suggested that ASX consider including provisions in the Listing Rules that would address black out trading and by doing so, make it obligatory for all listed entities to address this issue.

So what is the way forward? [CLICK]

Black-out trading – state of play

- ASX currently considering policy implications of including black-out trading provisions in the Listing Rules
- Council will decide on changes (if any) once ASX releases it's proposed policy

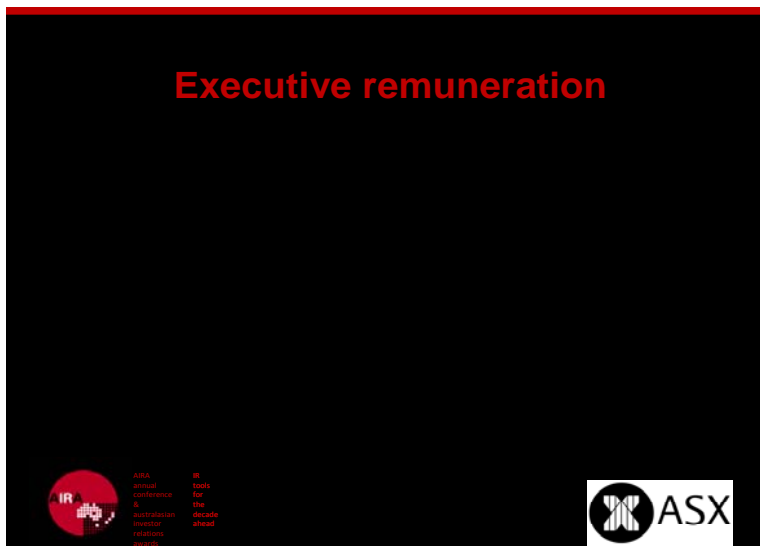
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ASX is assessing whether an “if not, why not” approach is sufficient or whether it is necessary to impose specific obligations under the Listing Rules. On its part, the ASX Corporate Governance Council will form its own view once ASX releases its Exposure Draft on proposed policy changes. Naturally, if a listing rule is introduced, there is less of a need for the Council to do something with its Principles and Recommendations. Its ultimate involvement will depend on the scope and content of the listing rules.

Until this matter is resolved, companies and directors must realise that with Directors’ trading during the black out period, it is as much about investor perception as it is about the underlying facts. It is noteworthy that CAMAC went on to propose the possibility of a legislative solution should either of the two approaches I have just mentioned not provide an effective governance framework to improve director conduct in this area. I am not sure if that is an outcome that would be welcomed by many directors.

Turning now to [CLICK]

Executive Remuneration



There would be a few among our stakeholders who do not hold a view on executive remuneration. Concerns about excessive pay and its growth relative to average wages has been exacerbated by the recent financial crisis where the connection between company

performance and executive remuneration appeared to have broken down. There have been numerous examples where executives seemed to be richly rewarded while the shares of the companies they managed languished.

It comes as no surprise that this is an area where shareholders have communicated their dissatisfaction to Boards with the increasing level of protest votes against companies' remuneration reports. While these votes are non-binding, there is evidence that Boards have started to listen.

The draft Report by the Productivity Commission on executive remuneration released in September of this year observed that while there has been a rapid growth in executive pay since the 1990's, the evidence does not indicate widespread failure in remuneration setting in the listed company sector. It goes on to propose a package of reforms that would mitigate against loss of community confidence in remuneration setting and poorly designed remuneration arrangements that lead to inappropriate risk taking or short term behaviour.

Sensibly, the Commission did not see the need for caps on pay but suggested instead that governance arrangements be strengthened to improve how boards set remuneration and engage with shareholders such that there is closer alignment between interests of executives, shareholders and Boards.

All up, the Commission came up with 15 recommendations that would seek to strengthen arrangements in five areas of reform. I will quickly run through these five areas to provide the context for the Commission's recommendations on executive remuneration that are relevant to the corporate governance or the Listing Rule frameworks.

[CLICK]

Executive remuneration – Productivity Commission’s proposed areas of reform

- Board capacities
- Remuneration principles
- Disclosure
- Shareholder engagement
- Conflicts of interest



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The first area relates to **board capacities**. A key function of a Board is to determine remuneration packages for directors and key executives. To support competent and independent decision making, directors must have the appropriate mix of skills, knowledge and experience. The Productivity Commission recommends that there should not be any impediments to Board diversity and renewal. I will say more about this when I come to Board Diversity.

Secondly, the Commission stressed that performance based pay structures must be founded on **remuneration principles** that align the interests of executives with that of shareholders. A remuneration “check list” for boards has been recommended not only to improve better remuneration practice but also to provide the types of remuneration arrangements that shareholders would need to form a view about and whether they serve the goals of the company, its executives and shareholders.

The third area of reform dealt with **disclosure** and information companies should be providing in their remuneration reports so that shareholders can decide if the proposed remuneration practices are aligned with their interests. The Commission noted that too often these reports are “boiler-plated to meet statutory requirements” and important information such as the company’s remuneration policy, the

realised remuneration of directors and key executives and the extent of executives' equity holdings, are either not provided, too brief or difficult to comprehend.

Shareholder engagement through the voting process was the fourth area identified. The Commission's recommendations sought to improve the efficiency and integrity of shareholder voting as well as provide triggers where companies would be required to respond to a significant "no" vote on a remuneration report.

I would like to spend a bit more time on some of the proposed changes in the fifth area of reform of remuneration practices, namely, those that could give rise to potential **conflicts of interest**.

In this regard, the commission examined a number of areas including the composition of the Remuneration Committee, the use of hedging by executives that would effectively transform "at risk" pay to fixed pay, the rights of directors and executives when voting on remuneration and how both directed and undirected proxies should be treated in the context of remuneration matters.

One could speak at length about all these matters, but in the interest of time I will only focus on the **Remuneration Committee and its composition**. Remuneration Committees are useful for the specialised advice they provide when setting executive remuneration. These committees generally are separate from management but it is clear that there may be potential for conflict if executive directors also sit on the Remuneration Committee as they could very well influence decisions that impact their own pay.

Recommendation 8.1 of the Corporate Governance Principles states that the Board should establish a Remuneration Committee.

[CLICK]

Remuneration Committee – status quo

Recommendation 8.1 Boards should establish a Remuneration Committee

Commentary

Suggested structure:

- Majority of independent directors
- Independent Chair
- Has at least 3 members



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The Commentary accompanying Principle 8 suggests that the Remuneration Committee should:

- Consist of a majority of independent directors (the Productivity Commission recommended that all members are non-executive and majority of members are independent.)
- Is chaired by an independent director
- Has at least 3 members

In other words, companies should establish a Remuneration Committee or explain why they have not done so and should seek to ensure the independence of this committee. ASX's review of compliance with Corporate Governance Principles show that since FY05, between 55% and 60% of all listed entities have established Remuneration Committees. It is not surprising that this figure improves to a range between 83 and 85% for the larger ASX500 entities and is even higher still for ASX 300 entities..

The Commission's analysis of other studies into the independence of the Remuneration Committee led it to conclude that Boards have not taken up the Council's "suggestion" as only around 75% of the top 250 companies and about 50% of mid-cap companies have at least a majority of independent directors. In the Commission's view, these outcomes are simply not good enough.

Most would agree that large companies must adopt best practice remuneration processes. It is also recognised that not only would the costs of adopting best practice have a greater relative impact on smaller companies, some smaller companies face practical implementation hurdles such as having a sufficient number of independent directors for a Remuneration Committee. By and large, this need for a certain degree of flexibility has been resolved with our “if not, why not” corporate governance approach.

Regrettably, flexibility works both ways. The Corporate Governance Principles & Recommendations can only lift governance standards in our markets to the extent that Boards drive compliance with these standards. When this falls short of the stakeholder expectations, regulators and market supervisors have to consider the implementation of black-letter law to improve compliance. And this is precisely the position taken by the Productivity Commission in its Discussion Draft.

[CLICK]

Remuneration Committee - Productivity Commission's proposal (1)

Draft Recommendation 2 – New ASX Listing Rule

Remuneration Committee composition

- All non-executive directors
- Independent Chair
- Majority of independent directors
- At least 3 members

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Draft Recommendation 2 proposes that ASX consider including in the Listing Rules, a requirement for the top 300 listed companies to have a Remuneration Committee with a composition as set out in this slide. This draft Recommendation is under consideration by ASX and in its submission to the Productivity Commission, ASX has proposed making a Listing Rule amendment requiring ASX 300 companies to have a remuneration committee and that this committee should:

- Have at least three members
- Be comprised of a majority of independent directors
- Be chaired by an independent director

At this stage, ASX is not proposing to adopt fully the Commission’s draft Recommendation 2 because it is not proposing that all of the members of the Remuneration Committee be non-executive directors.

To send a positive signal to all listed companies, the Productivity Commissions’ Draft Recommendation 3 proposes that Council elevates the existing suggested composition of the remuneration committee, that is now in the Commentary of Recommendation 8.1, to an “if not, why not” recommendation.

[CLICK]

Remuneration Committee - Productivity Commission's proposal (2)

Draft Recommendation 3

Current “suggestion” for Remuneration Committee composition in CGC Principles & Recommendations

- Independent Chair
- Majority of independent directors
- At least 3 members

Elevate to Recommendation (“if not, why not”)

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**Council:
Agree**

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In its public response to the Productivity Commission, Council has agreed to this. It has been Council’s long held view that it is appropriate to review adoption levels from time to time so that an assessment can be made as to whether “suggestions” embodied in the Principles & Recommendations can be usefully elevated to “recommendations”.

Another aspect for potential conflict of interest involving the Remuneration Committee relates to the use of **remuneration specialists**.

[CLICK]



Remuneration specialists advise on a range of areas including advice on market data, remuneration trends, pay structures and performance hurdles. Some work for Boards only but some work for both Boards and management. Clearly, there is potential for a conflict of interest situation, if these expert advisers are appointed by management to advise their Boards on management remuneration.

[CLICK]



Recognising this, the Productivity Commission's **Recommendation 10** proposes that the ASX Listing Rules be amended to require that for ASX 300 companies, expert advisers providing advice to the Remuneration Committee be commissioned by the Remuneration Committee or the Board and that advice be provided directly to the Remuneration Committee or the Board. In other words, expert advice is kept independent of management.

[CLICK]

Expert Advice – Productivity Commission’s proposal (2)

Draft Recommendation 11 – New Corporate Governance Recommendation Mirror ASX Listing Rule so that “if not, why not” applies to all other listed entities

Council’s proposal: One Recommendation to apply to ALL listed entities

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The Commission went on to propose (in Draft Recommendation 11) that this requirement be mirrored in a Corporate Governance Recommendation so that this practice would apply to companies outside the top 300 companies listed on the ASX.

After consideration of the issues, Council’s public position is that Recommendations 10 and 11 should be integrated so that one single “if not, why not” recommendation on the use of expert advisers by the Remuneration Committee would cover all listed entities. In Council’s view, this requirement is more appropriate as a Corporate Governance Recommendation as there is greater scope to give guidance on the complexities arising from the multitude of possible circumstances within the Recommendations than there is in the Listing Rules. “Black-letter” type provisions in the Listing Rules that

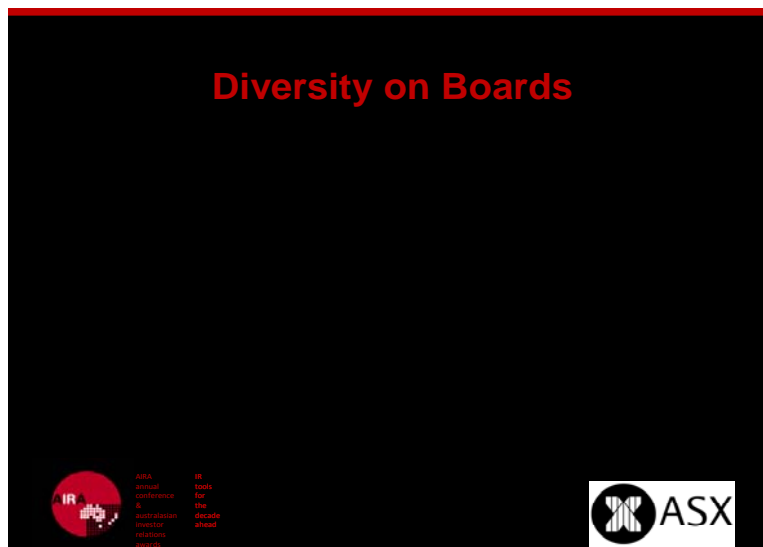
would cover different scenarios would be difficult to draft to achieve the desired effect.

Having said this, Council is aware that the precise form of the new Recommendation would need to be carefully considered so as to avoid unintended consequences such as creating a greater tendency not to employ remuneration advisers or, conversely, becoming a de facto requirement to engage advisers.

We shall all watch this space! [CLICK]

A moment ago, I briefly mentioned **Diversity on Boards** in the context of Board Capacity -.it is vitally important that Boards are comprised of directors that have the appropriate mix of skills, knowledge and experience.

[CLICK]



There are perceptions that Australian company boards are dominated by members of an exclusive “director’s club”. Immediately, several observations spring to mind – some directors are spreading themselves too thinly across multiple appointments, and, membership on boards of closely linked companies could impact the exercise of “independent” judgement or give rise to a perception of conflict.

While certainly important to keep in mind, I do not believe that these are widespread issues.

What I believe we should not lose sight of in this debate is that this is not about diversity-for-diversity sake or some small “L” liberal aspiration – the threshold issue is whether companies are adequately tapping and utilising all available talent. This could lead to a discussion on the link between diversity and enhanced corporate performance but I’ll leave that as a subject for discussion for another day.

Leaving corporate performance aside for now, a Board’s impact on corporate governance standards is evident from the Board-related recommendations of both CAMAC and the Productivity Commission, some of which I have outlined above. Ideally, companies should have been striving to attract the best from the widest talent pool. In other words, diversity is one indicator of this. So how have we been tracking in Australia?

On one dimension, and that is gender, studies have shown that the proportion of women on boards of the ASX top 200 listed companies has remained in the 8% band since 2002. Not only has women’s representation on boards stagnated over the last 7 years, the CAMAC report on “Diversity on Boards of Directors” tells us that Australia compares poorly with countries such as the US, where 15.2% of the boards of Fortune 500 companies are women; Canada, where the figure for the FP500 companies is 13%; and the UK, where 11.5% of board members of the larger UK listed public companies are women.

Gender is only one dimension of Board diversity but it is an important one given the proportion of women in the workforce. From the Council’s perspective, a key threshold issue to consider is whether recommendations and guidelines about diversity should be included Principles and Recommendations. For the reasons I have described above, Council believes that it should take a leadership role in

encouraging more diverse boards, and indeed a more diverse Australian workforce.

How will the Council do this?

Issues which have been considered by the Council include whether listed entities should have and disclose a policy on diversity, whether they should report on the proportion of women in their workforce and whether they should have targets and/or quotas.

I hope to be in a position to announce Council's in-principle position within the next one to two weeks on this important issue.

ASXMS's supervisory activities

What I have talked about in the last 20 minutes or so are current developments in the area of governance arising from the Government's reform agenda. Without a doubt, the proposed changes will have extensive implications across a range of areas that impact on market integrity when they come into effect.

While ASXMS too has a review agenda, albeit a more modest one compared to that of the Government, our role primarily is to supervise the equities and futures markets. [CLICK]

Business-as-usual activities supervision activities conducted by the Issuers unit include day-to-day monitoring for continuous disclosure, IPO application processing and the consideration of waiver requests.

ASXMS: Business-as-usual supervision

- Continuous disclosure
- IPO processing
- Waivers
- Periodic compliance reviews e.g. review of Annual Reports, Directors' Interests, JORC



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However, there is another dimension to daily monitoring by our Issuers unit and that is through the **periodic compliance reviews**. Since 2005, ASX has conducted an annual review of corporate governance reporting. Since last year we have undertaken half yearly reviews of lodgement of Directors Interest Notices and based off the information lodged, Directors' trading during the black-out period. In May of this year, we released the first public review of disclosure by listed mining entities of their compliance with the JORC Code. Where appropriate, follow-up action is taken against these companies and Directors, either by requiring updated disclosure or an explanation as to why a breach has occurred and releasing appropriate details to the market.

As with everything we do, these reviews are not static in scope. Mindful of the areas of reform that are currently being considered, the corporate governance review of 2009 Annual Reports will also include a review of:

- company dealing policies and more specifically whether these policies have a black out period;
- the extent to which CEOs are a member of the Remuneration Committee or attend these meetings, and, lastly,
- the extent to which companies embrace diversity and the level of reporting on gender mix at both Board, management and employee levels.

While monitoring for compliance is a large part of what we do, our approach to supervision has always been about “preventative supervision through education”. Through the ASXMS Education & Research Program we have ran an extensive education program comprising of conferences, seminars and workshops targeted at listing entities on a range of subjects from JORC, continuous disclosure to Directors’ duties. As a result of feedback, we have also provided a Guide and podcasts on our website of seminars and workshops held on risk to assist small to mid-cap listed companies when reporting against the Corporate Governance Council's "Principle 7: recognise and manage risk".

Where appropriate, we provide Companies Updates to flag contemporary issues that could impact listed entities or release updated Guidance Notes to assist listed entities in complying with their obligations under the Listing Rules.

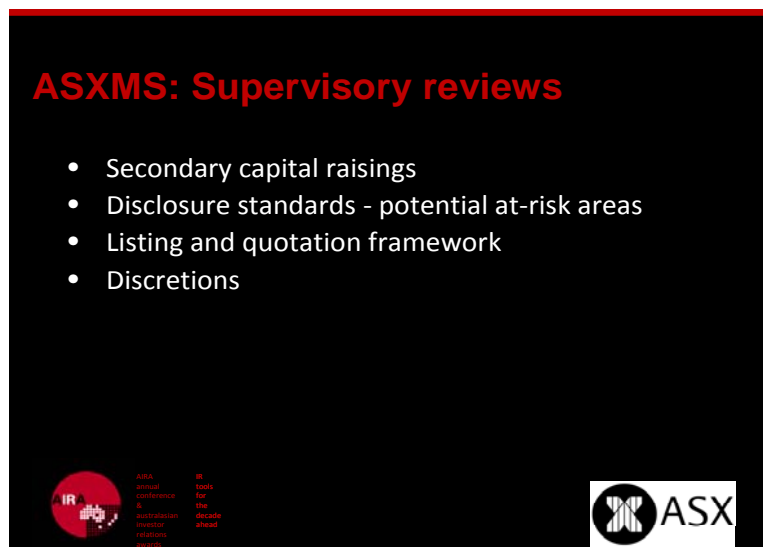
For example, at the height of the financial crisis, we issued a Companies Update in January of this year reminding companies to make an appropriate announcement immediately they become aware that there is expected to be a material difference in the financial results compared to previous performance or with forecasts.

Likewise, we are watching developments that are occurring as a result of the Governments’ proposed Carbon Pollution Reduction Scheme (CPRS) legislation. Throughout this debate ASXMS has monitored the level and consistency of disclosure by listed entities in relation to a proposed CPRS as well as these entities’ security price.

Recognising that until such time as legislation is in place and the details finalised, the actual impact of a proposed CPRS can not be quantified with any certainty by listed entities impacted by the legislation. As always, we will be working towards striking an appropriate balance between encouraging timely disclosure of material information and preventing premature disclosure of incomplete or indefinite matters.

In the period following passing of the CPRS legislation, we are likely to again remind listed entities of their obligations under listing rule 3.1. In particular, entities will be reminded to make an appropriate announcement immediately it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entities securities.

Over and above what we would consider to be business as usual, a number of review projects are also in progress. I won't be running through an exhaustive list but only a snapshot of some of the reviews underway to give a sense of what we consider to be important supervisory issues. Not in any particular order, we have:




ASXMS: Supervisory reviews

- Secondary capital raisings
- Disclosure standards - potential at-risk areas
- Listing and quotation framework
- Discretions

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The review of supervisory arrangements relating to secondary capital raisings: There have been a significant volume of secondary capital raisings since November 2008. This level of activity has given rise to possible issues around continuous disclosure and possibly insider trading – the practice of “soft soundings” comes to mind. A review of the waivers applied and granted would also be undertaken as part of this review.

Continued review of potential at-risk areas: We will also continue to review potential ‘at risk’ areas of the market that would involve:

- consideration of asset related disclosure and the need to impose additional requirements on listed entities in respect of the frequency and effectiveness of asset related disclosures and valuations (such as a review of JORC and Valmin codes),
- disclosure principles that should apply when reporting on complex corporate structures, and,
- the aptness of certain disclosure models when reporting on leverage ratios for certain sectors.

Review of the current listing and quotation framework: Having emerged from market conditions characterised by significant financial stress and volatility, we have considered it timely to examine the current framework for listing entities and quoting securities and our approach to any relevant discretionary decisions. Such a review would also take into account possible future listings from entities in sectors that may be affected by ongoing economic downturn.

Finally, the review of discretions under the Listing Rules: Under review are the considerations which ASXMS takes into account when exercising its discretions under relevant listing rules. We last did this in 2006 but given the events of the last 18 months, we think it is timely to undertake another review and provide further guidance where appropriate.

With that quick overview of ASXMS's review program, I will wrap up now with a few closing observations.

Firstly, I would like to stress the importance of perception. One aspect that is relevant to this audience is that the securities markets need to appear to be a level playing field for all concerned, regardless of whether the investor is a professional fund manager with \$10 billion in assets or a retail investor looking to buy 100 shares of stock. As investor relations professionals, this is very much an outcome that you can influence.

Secondly, I believe we might be seeing arrangements that are about rebalancing the power in corporations, perhaps not to the extent that they are occurring overseas but nevertheless rebalancing. By way of example, some of the proposals that I have just run through have the effect of shifting power to the Boards – for example the proposed changes to Remuneration Committee composition so that there is better alignment of management remuneration with long term corporate goals.

We are also seeing proposals that would allow greater oversight by shareholders. The World Economic Forum has identified that in the area of governance of companies, “the involvement of informed owners is one of the keys to durable change”.

Lastly, Australia has emerged relatively unscathed from the worst financial crisis the world has witnessed since the Great Depression. However, economies and markets, including ours, are not out of the woods yet (events from Dubai are a useful reminder) but all the pointers suggest that we have had an equivalent of a health scare and we need to strengthen our financial immune system. Strengthening our governance arrangements is a sensible step to take to do just that.

Certainly our supervisory, regulatory and governance frameworks are not broke. In their September 2009 country rankings Governance Metrics International ranked Australia 4th out of 38 countries. We have held a top 5 ranking for some years but there is no room for complacency. My views are that we are in a good position and that we can afford to take a longer term view and avoid a knee jerk reaction that could impair the ability of markets to innovate and allocate capital efficiently. On Council’s part, there is certainly no wish to add to the red tape.

I started off with a joke about disclosure and I would like to close on a more serious note about disclosure. Disclosure and the “informed shareholder” go hand in hand. Shareholders would only be able to exercise their rights in a responsible, informed and considered way

only if companies uphold the highest standards of disclosure and transparency. It is not about boiler plate reporting nor is it about tick-a-box compliance – the key is quality reporting.

Thank you for your attention, ladies and gentlemen. Any questions please?