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Federal Member for Aston

Speech to launch the Revised ASX Corporate Governance Principles 2 August 2007

Good afternoon.

It gives me great pleasure to be here to launch the ASX's revised corporate governance principles.

This event recognises the commitment of the ASX, through the work of its Council of Corporate Governance, to ensuring that the principles remain relevant for Australian listed companies.

First, I would like to acknowledge the recent 20th birthday of the ASX. It is a notable milestone and one the ASX should be proud of.

The ASX has come a long way over the last two decades. Today, it is one of the world's top ten listed exchange groups, measured by market capitalisation.

In the 2006-07 financial year there were some 49 million cash market trades with a total value of \$1.3 trillion. In June 2007 alone, a record 289,000 average cash market trades per day was achieved.

They are very impressive facts and figures and there is no doubt that the success of the ASX over the past 20 years is largely due to its ability to adapt to fluctuating market conditions.

The fact that so many members of the business community are here today is confirmation that the ASX is continuing to adapt and listen to the voice of its core stakeholders.

Revised corporate governance principles

These revised corporate governance principles are the result of an extensive consultation exercise conducted by the ASX which attracted over one hundred submissions.

The principles take into account recent Government reforms and current reporting trends.

By promoting the adoption of best practice governance standards across Australia's leading companies, the principles will make a direct and significant contribution to the wellbeing of all Australians.

Initiatives like the development of these principles are an integral part of Australia's corporate governance framework. This framework consists of a mixture of regulation, co-regulation and encouragement of industry best practice.

It is an approach that has served us very well. In fact, Australia's corporate law has been recognised as world class. In recent years, the *IMD World Competitiveness Yearbook* has consistently ranked Australia in the top four — out of over 50 countries — for the conduct of corporate boards and the management of shareholder value.

The Government's approach to improving corporate governance in Australian companies is to steer well away from imposing arbitrary "black letter rules" that prescribe detailed governance practices that companies must adopt.

We believe that a better — and far more workable — approach to corporate governance is to facilitate private and voluntary transactions between market participants.

The results — such as Australia's growing wealth — speak for themselves.

Australian corporate law provides a "standard-form contract" for members, directors and managers who want to promote a shared objective.

I firmly believe that it is not the role of the Government to introduce and impose any unwarranted or unwanted rules or restrictions on parties who wish to come together to promote a common objective through a company.

The ASX corporate governance principles are consistent with this framework. In fact, they are a good example of a flexible market-based solution.

The principles provide listed companies with the opportunity to tailor their governance practices to their own individual needs and their own particular situation. And at the same time, they ensure that investors understand why certain approaches are adopted.

Since the original release of the principles in 2003, companies have continued to improve in their compliance.

The ASX's most recent compliance report demonstrated that 90 per cent of listed companies satisfactorily met their reporting requirements. The ASX has worked hard over the years to improve this compliance result and continues to engage and provide guidance to those entities where a need is identified.

I think this is good news for investors and shareholders. Improved disclosure quite clearly helps investors to make better informed investment decisions.

The revised principles complement the Government's efforts to reduce the regulatory burden on business and improve the quality of disclosure.

Simpler Regulatory System Act

One of the key ways we are reducing the regulatory burden on business is through the Simpler Regulatory System Act. In fact, it was at this very same venue that I first launched the Simpler Regulatory System proposals paper back in November 2006.

I am pleased to report that substantial progress has been made since I launched that paper and that many of the proposals now take the form of legislation.

After the release of the paper, I engaged in extensive consultation with stakeholders. Community feedback was very valuable in shaping the provisions that ultimately formed the Simpler Regulatory System Act, which received Royal Assent on the 28th of June this year.

The expedient passage of this legislation through the Parliament means that investors and business can all take advantage of many of the measures, from the 2006-07 financial year.

I am, for example, aware that many companies are already taking advantage of the opportunity to circulate annual reports online, and provide hard copies only to shareholders that request them.

Such companies include Orica, Bluescope Steel, IOOF and ANZ Bank. Clearly, the use of the Internet as the primary mechanism for distributing annual reports is already starting to enable companies to communicate with their shareholders in a more efficient manner.

Apart from the considerable direct cost savings that this measure delivers, I also envisage that it will facilitate innovative communication, and allow for annual reports to be more interactive and user-friendly. This in turn may assist and perhaps even boost, the level of shareholder participation in Australia. For example, rather than being in a written format, the Chairman's report could be delivered through a video presentation.

But the Simpler Regulatory System Act extends its reach to other important areas of the corporate and financial services landscape.

It simplifies and improves aspects of financial services regulation, perhaps the most prominent being the relief in certain circumstances from providing a full Statement of Advice ... company reporting obligations, including the new financial reporting thresholds for large proprietary companies... auditor independence... corporate governance... streamlined fundraising obligations, so that, for example, the attractiveness of employee share schemes is enhanced ... takeovers... and general compliance.

Insolvency Bill

Another way that we are working to simplify the regulatory system is through the Insolvency Bill.

The Bill strengthens the rights of creditors and enhances their capacity to participate in the insolvency process and maximise their returns. It is designed to remove unnecessary costs, and expedite the reallocation of capital from failed ventures to better uses in the economy.

As I mentioned earlier, I strongly advocate a model in which corporate governance practices develop in response to competitive economic, commercial and international pressures — rather than in response to prescriptive rules mandated by government.

Conclusion

I want to thank the ASX for giving me the opportunity to be here today to launch the revised principles.

The revised principles are an important step forward in the corporate governance agenda of the ASX and of Australian business more generally.

I believe that any good business should adhere to the principle of good corporate governance. This is always going to be in the interests of Australian investors, Australian consumers, and Australian businesses.

I commend these principles to the market.

Thank you.