

LAUNCH OF THE REVISED CORPORATE GOVERNANCE PRINCIPLES

2 AUGUST 2007

ASX Sydney, 3 pm

Eric Mayne –Chair of ASX Corporate Governance Council

- The Hon. Chris Pearce, ladies and gentlemen, good afternoon and welcome to the Australian Securities Exchange and to the launch of the second edition of the ASX Corporate Governance Principles and Recommendations. My name is Eric Mayne and I am the Chair of the ASX Corporate Governance Council and the Chief Supervision Officer of the Australian Securities Exchange.
- Five years ago the ASX Corporate Governance Council was formed by bringing together 21 different business, shareholder and industry groups. At the time, the Council was given the challenge by Government to develop a flexible framework for disclosing governance practices in the wake of a number of high profile corporate collapses in the year 2000. The most likely alternative then was a prescriptive regime akin to the Sarbanes Oxley legislation in the United States
- Council's overriding objective was and is to develop and deliver an industry-wide flexible framework for corporate governance that can provide a practical guide for

listed companies, to enable them to enhance the transparency of their existing practices and to encourage boards and investors to consider the appropriateness of governance practices for their companies.

- Following an extensive review of corporate governance issues, Council released its Principles of Good Corporate Governance Practice and Best Practice Recommendations on 31 March 2003.
- When the Council released the First Edition of its Principles and Recommendations the Council acknowledged the evolving nature of the corporate governance debate and committed itself to ongoing review of the First Edition to ensure it remains relevant and appropriate to the Australian business and investing community.
- Following three years of practical experience of the First Edition and three years of ASX's review of corporate governance disclosures by listed entities in annual reports, the Council concluded – in 2005 - that it was an appropriate time to conduct a review.
- A number of discrete developments also suggested it was time to update and review the First Edition. These developments included:
 - Legislative and regulatory changes to the Corporations Act and the Accounting Standards which resulted in overlap and duplication with the First Edition,

- Recommendations from two internal Council reviews and understanding of and practices in, and reporting on, risk management, both in relation to financial reporting risk and other risks,
- There were also a number of Government initiatives directed towards reducing regulatory burden and minimising compliance costs. These Government initiatives included reports from the Parliamentary Joint Committee on Corporations and Financial Services, the Companies and Markets Advisory Committee in relation to corporate social responsibility and the Corporate and Financial Services Regulation Review, Consultation Paper, in April 2006.
- The review process has been extensive. The Council released a Consultation Paper and an Exposure Draft of its proposed changes to the First Edition for public consultation in November 2006.
- The Council's proposed changes were designed to:
 - Remove areas of regulatory overlap with the Corporations Act and the Accounting Standards
 - Provide further assistance for companies and investors to better understand the application of certain aspects of the document by merging Principles which cover common areas of governance, for example, merging Principles 3 and 10
 - Refine the document to take into account feedback from the Council's review groups and feedback from users of corporate governance information; and

- Ensure consistent terminology and provide greater clarity and remove possible ambiguities in certain Principles and Recommendations.
- The Council received over 100 submissions on the Consultation Paper and Exposure Draft. Approximately 120 listed companies put forward their views. Other submissions were from industry groups, individuals, domestic and international institutional investors, fund trustees and non-government organisations.
- The overwhelming majority of submissions expressed strong support for the Australian principles-based approach, and were generally supportive of the approach taken by the Council in the Exposure Draft. Submissions also expressed strong support for the review, particularly for the removal of overlap with the Corporations Act and the Accounting Standards which was perceived as reducing regulatory burden.
- The Council reconstituted an Implementation Review Group comprising experienced professionals with a working knowledge of the First Edition whose role was to advise the Council on any practical implementation issues that might arise out of the Council's final determinations on policy issues, from the perspective of those who implement the document. The IRG was asked to report to the Council whether the proposed changes were:
 - likely to create implementation difficulties for listed companies in the specified areas and, if so, were there any adjustments which would

diminish these difficulties without diminishing the intent of the document,
and

- whether the changes were appropriately structured to be relevant across all company sizes and industry sectors, and were clear and able to be understood.

- The Principles and Recommendations are not prescriptive. If a listed company considers that particular Recommendations are not appropriate to its circumstances, it has the flexibility – under the “if not, why not” approach - not to adopt them, as long as it explains why.
- ASX’s non-prescriptive approach to corporate governance is part of an overall focus on improving market efficiency and keeping agency costs low. The high standard of corporate governance practice disclosure in Australia has been achieved without the agency costs of ‘black letter’ law common in other markets. Australia’s regulatory package, including the cost of compliance, is directly linked to our attractiveness to global capital.
- I believe the Revised Principles will continue to underpin the durability of Australia’s flexible, principles-based approach to corporate governance.
- The revised Corporate Governance Principles and Recommendations will be launched shortly by the Hon. Chris Pearce MP. Before doing this I would like to thank those who have worked tirelessly over the last 18 months to bring together these revised eight (8) Principles and twenty six (26) Recommendations.

- First, a warm thank you to every member of the Council, especially the members of the working groups and their Chairs, Kathleen Farrell from the Law Council, Melinda Cilento from the Business Council and Tim Sheehy from Chartered Secretaries Association. It is a compliment to every Council member that each of them has worked to reach consensus on a set of Principles and Recommendations despite their disparate business and commercial interests. The 21 organisations that make up the Council's membership are depicted on the back of the Principles booklet.
- A very special thank you to the Council's Secretariat, Catherine Maxwell, a Senior Policy Analyst in ASX's Regulatory & Public Policy Unit, who worked extraordinary hours and under intense time pressures to ensure the milestones set by Council were met over the last 18 months.
- Finally, thank you to the 8 members of the Implementation Review Group chaired by Graham Bradley. The other members comprised Rick Crabb, Jerome Vitale, Tom Pockett, John Ingram, Peter Abraham, Ian Pollard and Sam Mostyn. Their practical business and commercial experience and input into the review will ensure that the revised Principles will remain relevant to the Australian business and investment communities.
- Thank you again for your attendance and it is now my pleasure to invite the Hon. Chris Pearce to officially launch the revised Principles.

Hon Chris Pearce – Parliamentary Secretary to the Treasurer

Eric Mayne

- Thank you to the Hon. Chris Pearce. Ladies and gentlemen, in concluding, allow me to outline the next steps in the implementation process.
- Companies will be required to report against the Revised Principles and Recommendations in their first financial year commencing on or after 1 January 2008. Accordingly, where a company's financial year begins on 1 January, disclosure will be required in relation to the financial year 1 January 2008 – 31 December 2008 and will be made in the annual report published in 2009. Where a company's financial year begins on 1 July, disclosure will be required in relation to the financial year 1 July 2008 - 30 June 2009 and will be made in the annual report published in 2009.
- Companies will therefore have a minimum 5 months to be familiar with the revisions and understand their reporting obligations. A number of Council members, no doubt, will conduct ongoing education seminars for their own members. ASX also will continue to review disclosures in Annual Reports and carry out information sessions on corporate governance.
- Today ASX has sent out a copy of the Revised Principles and Council's Response Paper to its more than 2000 listed entities, and next week we will hold public

sessions in our capital cities to provide feedback to those who made submissions in relation to the Consultation Paper and Exposure Draft released in November last year.

- Corporate Governance is a dynamic force that keeps evolving. This document cannot be the final word – it is offered as guidance and will be reviewed again but hopefully in a few years from now!
- Thank you all for attending. That concludes today's formalities and I now invite everyone to enjoy some refreshments.