



ASX

AUSTRALIAN SECURITIES EXCHANGE

MEDIA RELEASE

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New ASX Corporate Governance Council Recommendations on Diversity

The ASX Corporate Governance Council (Council) proposes to expand the *Corporate Governance Principles and Recommendations* to require each entity listed on the Australian Securities Exchange - on an "if not, why not?" basis - to adopt and disclose a diversity policy that includes measurable objectives relating to gender.

The proposal is contained in a communiqué about recent work activity released by the Council today.

Within their diversity policy, listed entities will be required, on an "if not, why not?" basis, to disclose in their annual report:

- Their achievement against the gender objectives set by their board; and
- The number of women employees in the whole organisation, in senior management and on the board.

Alongside the new recommendations, changes will be made to the guidance commentary to:

- Encourage nomination committees of listed entities to include in their charters a requirement to continuously review the proportion of women at all levels in the company. Commentary will highlight that it is the responsibility of the nomination committee to address strategies on board gender diversity and diversity in general.
- Require that the performance review of the board include consideration of diversity criteria in addition to skills. Also, boards will be required to disclose what skills and diversity criteria they look for in any new board appointment.

The Council's communiqué also outlines proposals to improve listed entities' record keeping of **analyst briefings** and to elevate the existing suggested composition of **remuneration committees** - that they be comprised of a majority of independent directors, be chaired by an independent director and have at least three members - to an "if not, why not?" recommendation.

Council expects to provide an exposure draft of the proposed changes to the *Corporate Governance Principles and Recommendations* for public consultation in early 2010 with an anticipated implementation date of 1 July 2010.

The ASX Corporate Governance Council's *Recent Work Program Communiqué* follows this media release.

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The ASX Corporate Governance Council

Recent Work Program Communiqué

December 2009

The ASX Corporate Governance Council (Council) was formed in August 2002 to develop a principles-based framework for corporate governance that provides a practical guide for listed entities, their investors and the wider Australian community. It is chaired by the Australian Securities Exchange (ASX) and brings together 21 business, investment and shareholder groups. ASX requires listed entities to provide a statement in their annual report disclosing the extent to which they have followed – or the reasons for not following (“if not, why not?”) – the *Corporate Governance Principles and Recommendations* during the reporting period.

Recent Developments in Corporate Governance

The Council has sought to provide guidance on extending the *Corporate Governance Principles and Recommendations* to address issues raised through the public consultation processes of the Corporations and Markets Advisory Committee (CAMAC) and the Productivity Commission.

The following published reports and discussion drafts have been reviewed by the Council. The Council has also reviewed correspondence from Government representatives and stakeholder groups, which has contributed significantly to the views and discussion considered by the Council.

1. CAMAC's '**Diversity on Boards of Directors**' (March 2009). The report addressed the issue of women on boards in the context of diversity, outlining the role and structure of boards, the current state of diversity, ways to promote an environment conducive to diversity, and ways to assist in developing a broader pool of skilled and experienced candidates.
2. CAMAC's '**Aspects of Market Integrity**' (June 2009). The report addressed topical market issues including directors entering into margin loans and reporting on any such arrangements, trading by company directors in 'blackout' periods, spreading false or misleading information, and corporate briefings to analysts.
3. The Productivity Commission's '**Executive Remuneration in Australia**' (discussion draft, September 2009). The report addressed areas of concern in executive remuneration, including avoiding conflicts of interests, providing enhanced disclosure, and improving board accountability and shareholder engagement.

Each of these reports outlined a role for the Council and Council has made submissions to Government and the Productivity Commission confirming its willingness to be part of any solution. The Council formed a number of sub-committees to examine each issue in detail and report back to the full Council.

Following consideration of the above matters Council proposes to make the following changes to its principles and recommendations with an expected implementation date from 1 July 2010:

Diversity

- The *Corporate Governance Principles and Recommendations* will be expanded to include a new recommendation requiring each listed entity (on an “if not, why not?” basis) to establish a diversity policy that includes measurable objectives relating to gender as set by the board of the entity. The policy must be disclosed to the market in full or in summary.

- Another new recommendation will require each listed entity to disclose in its annual report (on an “if not, why not?” basis) its achievement against the gender objectives set by the board of the entity.
- A further new recommendation will require each listed entity to disclose in its annual report (on an “if not, why not?” basis) the proportion of women employees in the whole organisation, in senior management and on the board.
- Changes will be made to the existing commentary for Recommendation 2.4 to encourage the nomination committees of listed entities to include in their charters a requirement to continuously review the proportion of women at all levels in the company. New commentary will highlight that it is the responsibility of the nomination committee to address strategies on board gender diversity and diversity in general.
- Commentary for existing Recommendation 2.5 will be amended to require that the performance review of the board include consideration of diversity criteria in addition to skills. And boards will be required to disclose what skills and diversity criteria they look for in any new board appointment.

Trading by Company Directors in ‘Blackout’ Periods

- Council will assess the implications for the *Corporate Governance Principles and Recommendations* after ASX’s proposed listing rule changes requiring entities to adopt and disclose a trading policy, including trading restrictions and clearance procedures, on trading in the entity’s securities by directors and other key management personnel (announced on 4 December 2009) are finalised.

Corporate Briefings to Analysts

- Principle 6 of the *Corporate Governance Principles and Recommendations* concerns the rights of shareholders. It will be amended to include in Box 6.1 (*‘Using electronic communications effectively’*) guidance that companies should keep a summary of topics discussed at group briefings with investors and analysts, including a list of those present, and the time and the place of the meeting.
- In addition, where possible, particularly in the case of results announcements, entities will be encouraged to arrange for advance notification of group briefings and make them widely accessible, including by the use of internet web casting and conference calls.

Executive Remuneration

- Council proposes that the existing suggested composition of the remuneration committee in the commentary to Recommendation 8.1 - namely that the remuneration committee be comprised of a majority of independent directors, be chaired by an independent director and have at least three members - be elevated to an “if not, why not?” recommendation.
- ASX has advised publicly that it intends to amend its listing rules for entities in the ASX 300 consistent with the approach that the Council plans to adopt for all listed entities (above). Larger listed entities (in the top-300) will be *required* by an ASX listing rule to adopt the same remuneration committee composition as that *recommended* by the Council for all, including smaller, listed entities.
- The ultimate changes to the Council’s principles and recommendations on remuneration will depend on the final recommendations of the Productivity Commission and the extent to which they are adopted by the Government.

Proposed Timetable for Implementation of Amendments

Council expects to provide an exposure draft of the proposed changes to the *Corporate Governance Principles and Recommendations* for public consultation in early 2010. **The anticipated implementation date is the financial year commencing 1 July 2010.** It is expected that a period for transitioning to the new arrangements will also be provided.

Background on the ASX Corporate Governance Council

The Council undertakes a wide-ranging work program as part of its role, including:

- Producing corporate governance guidelines for listed entities;
- Building understanding about corporate governance practices within listed companies;
- Reviewing the legislative and ASX rules framework for Australian corporate governance practices;
- Providing information about corporate governance to investors and the wider community; and
- With the assistance of ASX, regularly reviewing the disclosure of corporate governance practices by listed entities and making the findings public to promote a high standard of transparency.

The Council has released two editions of *Corporate Governance Principles and Recommendations* - the first in 2003 and the second in 2007.

The Council has also expressed its position on matters such as:

- CEO remuneration; and
- Provided supplementary guidance to assist entities in adopting the new Principle 7: *Recognise and manage risk*.

Further information about the Council and the *Corporate Governance Principles and Recommendations* can be found here: http://www.asx.com.au/about/corporate_governance/index.htm