

MEDIA RELEASE

REGNAN – GOVERNANCE RESEARCH AND ENGAGEMENT

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REVISED GOVERNANCE PRINCIPLES POSITIVE – BUT PROOF IS IN THE PUDDING

Regnan – governance research and engagement (Regnan) today welcomed the release of revised governance principles by the ASX Corporate Governance Council.

“Investors are seeking greater transparency from companies, including on their Environmental, Social and Corporate Governance (ESG) performance, and these changes are positive. However the proof of the governance pudding will be in the implementation of the Principles,” said Regnan Managing Director, Erik Mather.

ESG disclosures remain nascent in Australia. This is borne out by KPMG Global Sustainability Services research in June 2005 that ranked Australia 11th out of 16 developed economies in terms of the uptake of ESG reporting.

Should ESG disclosures remain low, clearer reporting requirements may be required because investor expectations continue to increase.

The ASX CGC has favoured flexibility over a compliance approach to the revised Principles.

Flexibility is cited by many companies and investors as an important cornerstone of the Principles because it allows companies to consider their own circumstances.

“Companies have the flexibility they wanted, it’s now a case of use it or lose it,” said Mr Mather.

Growing investor expectations for ESG reporting is demonstrated by participation in the UN Principles for Responsible Investment (UNPRI). Investors of almost A \$12 trillion have committed to seeking greater levels of ESG disclosure by companies.

The UNPRI requires signatories to progressively integrate ESG considerations in valuing investments as well as in the exercise of responsible ownership practices, including engagement.

Locally, 14 institutional investors of \$150 billion and nine funds managers have signed the UNPRI.

“The ASX CGC should be congratulated for a framework that assists companies to recognise this fundamental change to institutional investment practices,” said Mr Mather.

It is now up to companies to understand institutional investor expectations and align ESG disclosures to their materiality within the enterprise.