



## MEDIA RELEASE

### Regnan Governance Research and Engagement

27 June 2008

#### **DIRECTOR SHARE TRADING: ASXMS CONFIRMS WIDESPREAD DISEASE OF POOR GOVERNANCE**

Regnan welcomes ASX Market Supervision's release of its review of share trading during the three months to 31 March 2008. Less welcome is the news that director share trading continues to be plagued by late notifications to market as well as a growing number of trades during blackout periods.

"Director share trading is out of control and only strong action by both ASXMS and ASIC can reign in rampant abuse of trust," said Erik Mather, Regnan Managing Director.

ASXMS's findings for the March quarter follow Regnan's research commissioned by leading institutional investors in 2005 and 2007 covering S&P/ASX200 entities and released publicly as institutional investor *Position Papers*. ASXMS's comprehensive review has revealed the widespread nature of inappropriate director share trading extends beyond S&P/ASX200 entities.

"Of great concern is the fact that governance of director share trading is getting worse, not better. Directors have had plenty of warning, and it is now time that regulators take a very big stick to those directors who cannot control their share trading," said Mr Mather.

Regnan's 2007 research identified 48 active trades between books close and results announcement (blackout period) by S&P/ASX200 directors during the year to 30 September 2007, while ASXMS identified 52 active trades during the blackout period during only a three month period among the same entities. This demonstrates a significant deterioration of governance and it is of concern that S&P/ASX200 entities appear to be disproportionately represented among active trades during the blackout period (52 active company trades versus 135 for All Ordinaries Index entities).

"One in eight late trade notifications by directors to the ASX, and in breach of listing rules, is much more than sloppy housekeeping by a few directors. And 556 directors trading during the blackout period constitutes an epidemic. The fact that 381 different entities are impacted is nothing short of alarming for all investors," Mr Mather said.

"Directorships are an integral component of capital markets and are vital to governance on behalf of shareowners. Inappropriate share trading is a parasite on the institution of directorship and market integrity," said Mr Mather.

Regnan congratulates ASXMS for their review of share trading during the 1<sup>st</sup> quarter of 2008 and recognises the continuation of this work as critical to ongoing market supervision. Regnan expects ASIC to bring all of its regulatory muscle to punish those company directors who find themselves unable to exercise their share trading in an appropriate way.

"Good directors and all investors also have a role to play in ensuring directors who have ongoing problems with share trading governance find themselves a different occupation," said Mr Mather.



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### **About Regnan**

Regnan is an institutional investor initiative to address environmental, social and corporate governance risks within long term portfolios. Formed in 2007, Regnan conducts constructive engagement on behalf of institutional investors with \$70 billion invested in Australian companies.

In its engagement on Share Trading Governance, Regnan represents BT Investment Management, Catholic Super, Hermes (UK – owned and managed for the British Telecom Pension Scheme), HESTA Super Fund, NSW Local Government Superannuation Scheme, NSW State Super (SAS Trustee Corporation), NT Government and Public Authorities Superannuation Scheme, Vanguard Investments Australia, VicSuper, Victorian Funds Management Corporation and Westscheme.

Regnan's past share trading research is available as a Position Paper issued by leading institutional investors at: [www.regnan.com](http://www.regnan.com)