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## Foreword

A decade ago, the term 'corporate governance' was barely heard. Today, like climate change and private equity, corporate governance is a staple of everyday business language and capital markets are better for it.

The ASX Corporate Governance Council was formed in August 2002 and has been chaired by the Australian Securities Exchange (ASX) since its inception. The Council is a remarkably diverse body, bringing together 21 business, investment and shareholder groups. Its ongoing mission is to ensure that the principles-based framework it developed for corporate governance continues to be a practical guide for listed companies, their investors and the wider Australian community. The Council's diverse range of voices is one of its strengths. Its striving for consensus is consistent with maintaining balance in regulatory and reporting affairs.

This document marks the first revision of the Council's corporate governance Principles and Recommendations since they were issued in March 2003. This is testimony to the durability of Australia's flexible, principles-based approach to corporate governance. While some other major jurisdictions are unwinding their governance frameworks because of unworkability, Australia has been able to refresh its approach rather than undertake a rewrite.

Support for Australia's approach is reflected in the continued high level of reporting against the Council's Principles and Recommendations by the more than 2,000 entities listed on ASX. Overall reporting levels of corporate governance practice – the aggregate of adoption of recommended practices and of "if not, why not" reporting – have risen in each of the three years the Principles and Recommendations have been in operation prior to this revision. This is good news for investors. The more transparent listed entities are about their corporate governance practices, the better placed investors will be to make informed investment decisions.

Ultimately, it is for the market to pass judgement on the corporate governance practices of Australian companies, not the Council or ASX. The guidance provided by the Principles and Recommendations since 2003, with the cooperative goodwill of listed entities, has contributed to a high standard of corporate governance practice in Australia without the agency costs of 'black letter' law common in other markets.

Corporate governance is a dynamic force that keeps evolving. Council's challenge is to ensure that the Principles and Recommendations remain relevant to the Australian business and investment communities. The revised Principles and Recommendations are part of that process. They reflect the contributions of more than 100 public submissions and will take effect from 1 January 2008.

This document cannot be the final word. It is offered as guidance and will be reviewed again. Nor is it the only word. Good corporate governance practice is not restricted to adopting the Council's Recommendations. The arrangements of many entities differ from the Recommendations but amount equally to good practice. What matters is disclosing those arrangements and explaining the governance practices considered appropriate to an individual company's circumstance.

We are all – the Council, ASX and Australian market participants generally – in the business of preserving stakeholder confidence. That is the thread that runs through each of the Principles and Recommendations contained in this document. The wording may change, as necessary, from time to time, but that underlining theme will remain.

**Eric Mayne**

*Chair, ASX Corporate Governance Council  
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