

ACGA

MARKETS



CG WATCH 2023

AUSTRALIA

Sunny place, with shade

Progress and regress in corporate governance

Special report - August 2024

Founding Sponsor of ACGA



Jamie Allen
Former Secretary General, ACGA

Lake Wang
Research Manager, ACGA
lake@acga-asia.org
+852 2160 1785

Charlie Chow
Research Analyst,
Sustain Asia Research, CLSA
charlie.chow@clsa.com
+852 2600 7773

Seungjoo Ro
Head of Sustain Asia Research,
CLSA
seungjoo.ro@clsa.com
+852 2600 7587



Contents

Executive summary..... 3

CG Watch through the years 4

Australia - A sunny place with lots of shade..... 5

CLSA bottom up scoring shows CG improvement 44

Appendices

1: Overall market rankings and scores 50

2: ACGA market-ranking survey..... 51

3: Governance questions 57

Click to rate this research



Broader perspective



CLSA and CL Securities Taiwan Co., Ltd. ("CLST") do and seek to do business with companies covered in its research reports. As such, investors should be aware that there may be conflicts of interest which could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decisions.

Find CLSA research on Bloomberg, Thomson Reuters, FactSet and CapitalIQ - and profit from our evalu@tor proprietary database at clsa.com
For important disclosures please refer to page 62.

Australia retains top position in our survey of APAC markets

Its score on our ranking rose in five of the seven categories

New ASX corporate governance principles and recommendations likely in 2025

Chairman independence and shareholder alignment propel Australia's CG score

Australia stays on top; Japan jumps to second; Hong Kong falls to sixth

Sunny place, with shade

Australia leads APAC in corporate governance, with recent progress in public governance through the establishment of the National Anti-Corruption Commission (NACC) and improved accountability standards for financial institutions. Further, the Australian Securities and Investments Commission (ASIC) has gained new enforcement powers and has been proactive in protecting investors from emerging issues such as social media scams, greenwashing and crypto asset sales.

Our survey results indicate Australia's score improved in five out of seven categories, albeit marginally in three; two categories saw declines. The drop for listed companies aligns with regional trends due to changes in our underlying company survey. Australian firms, like their Asian counterparts, exhibit greater transparency when mandated by law or regulation to report on governance practices. Our score also fell in the auditors category following ASIC's decision to reduce the scope of its audit-file inspections.

Australia is set to release the fifth edition of its ASX Corporate Governance Principles and Recommendations. The draft was released in February 2024, with the consultation period ending in May. The new code expands on principles of acting lawfully, ethically and responsibly, as well as fair and responsible remuneration. It also streamlines other recommendations. The final version's contents are yet to be seen, and the start date is expected to be around July 2025.

From a bottom-up perspective, CLSA's latest CG scores show a 1.1ppt improvement in Australia's corporate governance, surpassing the Asia average by 15.9ppts and reflecting higher confidence in chairman independence, reporting timeliness and alignment with shareholder interests. In this edition, we provide top CG scorers and improvers in our Australia coverage.

CG Watch 2023 market rankings and scores

Market	Previous ranking	2023 (%)	2020 (%)	Change vs 2020 (ppt)
1. Australia	1	75.2	74.7	+0.5
2. Japan	=5	64.6	59.3	+5.3
=3. Singapore	=2	62.9	63.2	-0.3
=3. Taiwan	4	62.8	62.2	+0.6
5. Malaysia	=5	61.5	59.5	+2.0
=6. Hong Kong	=2	59.3	63.5	-4.2
=6. India	7	59.4	58.2	+1.2
8. Korea	9	57.1	52.9	+4.2
9. Thailand	8	53.9	56.6	-2.7
10. China	10	43.7	43.0	+0.7
11. Philippines	11	37.6	39.0	-1.4
12. Indonesia	12	35.7	33.6	+2.1

Source: ACGA

Click to rate this research



CG Watch through the years

Saints & sinners
April 2001



The holy grail
October 2005



Dark shades of grey
September 2014



Future promise
May 2021



Dismantling the discount
June 2024



Make me holy . . .
February 2002



On a wing and a prayer
September 2007



Ecosystems matter
September 2016



A new order
December 2023



Spectrum of standards
June 2024



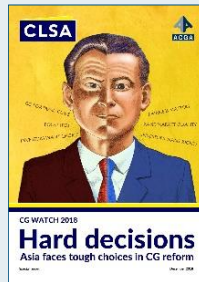
Fakin' it
April 2003



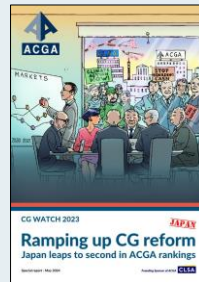
Stray not into perdition
September 2010



Hard decisions
December 2018



Ramping up CG reform
May 2024



Edging up, sliding down
August 2024



Spreading the word
September 2004



Tremors and cracks
September 2012





Jamie Allen

Former Secretary General, ACGA



Lake Wang

Research Manager, ACGA
lake@acga-asia.org
+852 2160 1785

Australia's scores rise in five of seven categories

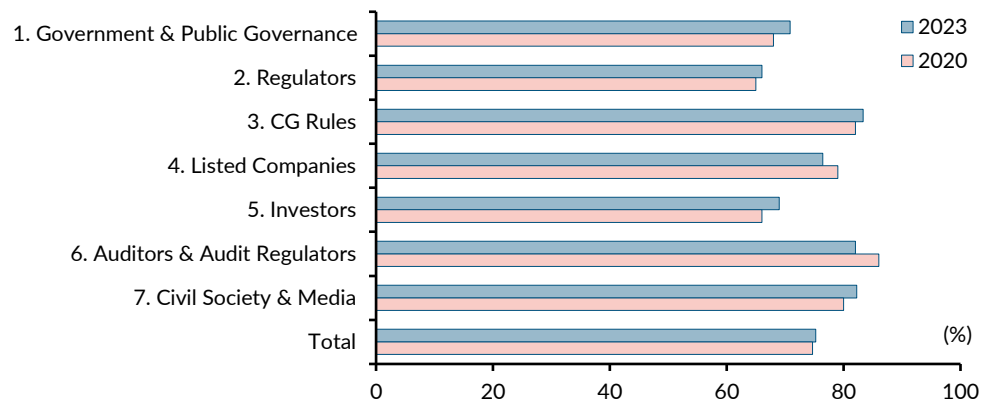
Australia's robust CG system fails to stop new corporate scandals

Australia - A sunny place with lots of shade

- ❑ Australia retained first place on a marginally higher score of 75.2%.
- ❑ Public governance moves up with new federal anti-corruption commission. The Australian Prudential Regulation Authority (APRA) issues expanded guidance for bank directors. New Financial Accountability Regime.
- ❑ Australian Securities and Investment Commission (ASIC) ups the ante on new forms of malfeasance: pump-and-dump schemes, greenwashing, crypto assets, and poor investment product design and distribution.
- ❑ Sanctions on financial firms as Hayne Royal Commission indicates systemic failures in use of IT and risk management.
- ❑ Few major changes in corporate governance (CG) rules; new guidance on greenwashing, whistleblowing and revised ASX CG Principles in the offing. Certain Covid-led reductions in minority shareholder protections made permanent.
- ❑ CG reporting among large listed companies ranges from excellent to formulaic, even within the same companies.
- ❑ An active investor stewardship environment with rich disclosure of voting and engagement but reporting on voting against and conflicts could improve.
- ❑ Audit regulation score slips on greatly reduced inspections of audit files.
- ❑ Civil society puts focus on ESG and sustainability, while media reporting of CG is accurate but lacks depth.

Figure 1

Australia CG macro category scores: 2023 vs 2020



Source: ACGA

Introduction

For a generally law-abiding country, Australia can certainly generate its fair share of corporate scandals. Five years ago it was the widespread misconduct of banks and financial services firms that came to light through the hearings of the Hayne Royal Commission. More recently, bad behaviour has emerged in some of the country's biggest names. Qantas, the national airline, sparked customer furore over its charging and refund policies, not to mention deep investor discontent over its executive remuneration. Accounting firm PWC shocked the nation when it emerged that some of its tax partners had been passing confidential government information on new tax rules to their clients. Then a somewhat less surprising money-laundering scandal blew up at Star Entertainment, one of the two casinos in Sydney.

Big step forward in creating national anti-corruption body; new forms of market misconduct emerge

Australia continues to improve in most categories; falls in two

The fifth version of the country's CG Code is coming soon

Progress made in anti-corruption, whistleblowing awareness-raising. Limited progress in other areas

But Australia would not be at the top of our survey if it were all bad news. An important step forward came in public governance when the Parliament in December 2022 passed long-overdue legislation for a federal National Anti-Corruption Commission (NACC). The lead financial regulators have set new accountability standards for banks and financial firms. And the conduct regulator, ASIC, has been busy trying to minimise harm to investors from emerging activities such as social media scams, greenwashing, and the sale of crypto assets. ASIC has also gained some new powers to add to its enforcement war chest, though not necessarily a lot more money. Questions remain as to whether it is properly funded.

As Figure 1 above shows, Australia's score rose in five of the seven categories in our survey - although only marginally in three of them. Scores fell in listed companies and auditors. In the former category, this was in line with what we saw around the region and was the result of changes to our underlying company survey, not a lowering of governance or reporting quality. It is worth pointing out, however, that Australian companies were similar to their Asian counterparts in at least one respect: they are more transparent when mandated by law or regulation to report on certain governance practices than when they have the option to disclose or not. As for the auditor category, the score fell here because of ASIC's decision to materially reduce the scope of its audit-file inspections.

Looking forward, Australia is about to get the fifth edition of its ASX corporate governance principles and recommendations, first released in 2003 and now revised about every five years. A draft of the new code was released in February 2024, shortly after we concluded the scoring for CG Watch 2023. The consultation period ended in early May, hence we cannot definitively report on its content. However, we summarise the main proposals under CG Rules below.

Recapping CG Watch 2020

Australia has moved forward on about half of our recommendations from 2020:

Figure 2

Australia: recap of 2020 recommendations (selected)

Recommendations	Outcomes
1. Create federal anti-corruption agency.	Completed. National Anti-Corruption Commission established on 1 July 2023.
2. Promote awareness of new whistleblowing law.	In progress. ASIC wrote to CEOs in October 2021 urging them to review their company's whistleblowing policies. In March 2023, it published guidance on good WB practices.
3. ASIC to provide more narrative on enforcement statistics.	Some progress, but could improve further.
4. Review cooling-off periods for independent directors who were formerly executives, professional advisors, consultants.	No progress. Cooling-off periods remain at three years.
5. ASX to disclose enforcement action on individual companies.	No progress.
6. Institutional investors to disclose voting down to the company and resolution level.	No progress.

Source: ACGA

Australia retains first place on an improved score of 71%

Scores rose due to new NACC and bank governance

Like many Asian markets, Australia lacks a clear national strategy on public and corporate governance

The new labour government moved quickly to create a national ICAC

The Albanese government has not taken the often negative approach to CG of its predecessor

1. Government & public governance

Australia's score rose three percentage points to 71% and it retained first place, this time on its own. In our last survey, Australia shared top honours with Taiwan, which had made considerable efforts to strengthen its public governance regime. In this survey, Taiwan slipped to the second position on a slightly lower score of 67%, while Japan came third at 61% and Singapore fourth on 56%. Hong Kong plummeted 10 percentage points to 55% and moved from third place in 2020 to fifth. These low absolute scores point to weaknesses in public governance in the region, particularly with regard to national strategies for the governance of listed companies, the independence of the judiciary, the effectiveness of anti-corruption agencies, and the legal rights of shareholders to litigate against companies. Leading Asian markets show variable performance in these areas, while other markets do much worse.

Key reasons for Australia's higher score included the new NACC and improvements in banks' governance. Scores fell, but only slightly, on one question: whether minority shareholders have fair access to courts to settle disputes.

A score of 71% for Australia is probably lower than many market participants might expect, given that the country has a more open system of government and a freer media than one generally finds in Asia. One weakness is that Australia, like most Asian markets, lacks a clear national strategy for strengthening public and corporate governance to support capital market development and investor protection. Although ASIC has a defined remit under law and the Australian Securities Exchange (ASX) has a Corporate Governance Council which oversees the ASX CG Principles, policy from the federal government can often be ambivalent - as came through clearly in the long debates leading up to the creation of the NACC and attempts by the previous government to roll back certain investor protections. Federal decisions often seem expedient or piecemeal rather than strategic, something that is apparent in regulatory funding allocations among other things.

Impact of the new government

After nine years under a right-leaning Liberal-National Coalition government, Australia voted in the centre-left Labour Party in May 2022 under the leadership of Anthony Albanese, who duly became prime minister under the country's Westminster system of government (where the party that wins the most seats forms government and selects the PM). The new government wasted little time in passing legislation on a federal anti-corruption commission, as it had promised and as the Liberal-National Coalition had notably failed to do despite earlier commitments.

Fortunately, the new Albanese government has not taken the sometimes negative route on CG of its predecessor. Former Liberal Party treasurer Josh Frydenberg, for example, distinctly promoted anti-shareholder positions on several issues, such as class action rights, the influence of proxy voting advisors, and making permanent a temporary waiver allowing virtual-only AGMs during Covid-19. While some of these measures were necessitated by the pandemic, some were clearly opportunistic. Not all of them succeeded. Frydenberg also issued ASIC with a new "Statement of Expectations" in August 2021 that directed it to be more supportive of economic recovery during the pandemic, a decision that was problematic in our view for a range of reasons (see box below). So far labour has not sought to roll back any major shareholder protections, and seems unlikely to do so, although the new treasurer, Jim Chalmers, announced in November 2023 that he too would release a Statement of Expectations for ASIC soon. It had not been released as of end-May 2024.

ASIC urged to support the government's economic goals during the recovery from Covid-19

Yet much of the 2021 statement was redundant

ASIC is the market cop and needs a free hand to enforce the law

Only conservative governments have issued these statements previously past

We fear that Chalmers' statement might also be somewhat redundant

Great expectations

In August 2021, the then treasurer, Josh Frydenberg, issued a "Statement of Expectations" to ASIC that declared the government "expects ASIC to identify and pursue opportunities to contribute to the government's economic goals, including supporting Australia's economic recovery from the Covid pandemic". In addition to promoting sound capital markets, ASIC should strive to minimise the "costs and burdens of regulatory requirements for regulated entities and consumers" and administer "the law in a way that promotes competition and innovation in the interests of all consumers, including through promoting a digital economy". It adds that regulatory guidance should not be "unduly prescriptive", but also reassures: "The government expects ASIC to act independently in its regulatory functions, including enforcement actions, supervisory activities and licensing decisions."

Apart from the contradiction between telling ASIC what to do and then reminding it to act independently, the statement appears to be redundant in many respects. ASIC is already tasked under the Australian Securities and Investments Commission Act 2011 to maintain and improve the financial system "in the interests of commercial certainty, reducing business costs, and the efficiency and development of the economy". It must also "consider the effects that the performance of its functions and the exercise of its powers will have on competition in the financial system".

Equally concerning was the instruction to support the Liberal-National government's economic goals and Australia's recovery from Covid, with the implication that ASIC should go a bit easier on regulated entities. ASIC is the corporate and market cop and needs a free hand to enforce the law. Market malfeasance is more likely to rise than fall during a public health crisis, as indeed it did with social media and crypto scams. Surely the regulator is better serving the economy by doing its job than adjusting its actions to suit the government's political agenda?

Not all federal governments have felt the need to issue ASIC with such statements. Interestingly, all those to date have been the work of Liberal-National Coalition governments: the first was in 2007 under treasurer Peter Costello; the second in 2014 and third in 2018 under treasurers Joe Hockey and Scott Morrison, respectively.

If he moves forward with his own statement to ASIC, Jim Chalmers would be the first Labor treasurer to do so. Our fear is that his statement will also be somewhat redundant. According to the *Australian Financial Review*, Chalmers said in a speech that the statement would "focus on protecting consumers and investors in the digital sphere, laying the groundwork for a more competitive and dynamic financial services sector, as well as addressing the risks and capturing the opportunities of markets contributing to the net-zero transformation." These topics are all on ASIC's agenda already, as reflected in its five-year corporate plans that are updated annually.

Note: Chalmers issued statements of expectation to the Australian Prudential Regulatory Authority (APRA) in June 2023 and to the Australian Competition and Consumer Commission (ACCC) in April 2024.

The Hayne Commission brought a range of systemic bank failures to light

Bank governance post-Hayne

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, chaired by High Court Judge Kenneth Hayne and held over December 2017 to February 2019, brought to light some serious systemic weaknesses and malpractice in Australia's financial system. These ranged from poor anti-money laundering (AML) and counter-terrorism financing (CTF) controls to frauds such as charging "fees for no service" on wealth management products (including to deceased estates) and unethical behaviour in the selling of financial advice. While many of these issues were known within banks and financial service companies, many senior executives and directors judged the risks to be immaterial to the bottom line and ignored potential reputational damage.

Bank governance has improved somewhat

On balance, bank governance did appear to improve post-Hayne. In addition to addressing specific problems escalated by the Royal Commission, many banks were forced to change their board and senior executive leadership, invest far greater sums in AML-CTF and other compliance, and fix problems in risk management and the administration of customer accounts. Bank culture has also been under the spotlight, thanks to work done by ASIC and the prudential regulator APRA. For these reasons, we increased our score for bank governance (Q1.3 - refer to appendices) by half a point to 3.5 out of 5.

But still work to do

As our score suggests, there is still work to do. Bank boards may have renewed themselves, but as we found in our separate survey on listed companies (see section 4 below) their governance disclosure still leaves things to be desired. Like other listed companies, they perform best on mandatory or quasi-mandatory reporting items, such as executive remuneration policies, individual director compensation, board independence, diversity requirements, and the structure of audit committees. Disclosure is also quite sophisticated where there is strong societal or market pressure, notably in sustainability reporting. Yet bank and issuer disclosure generally tends to be weaker where the rules are lighter, such as descriptions of board and committee activities, board evaluations, diversity policies, and director training.

The systemic failures in banks occurred despite a decade of governance guidance from APRA

It is hard not to notice that the systemic failures outlined by Hayne occurred despite more than 10 years of governance guidance documents from APRA for authorised deposit-taking institutions (ADIs) and other regulated entities. In its 2006 prudential practice guide, APG510 - Governance, it opines on what good board governance looks like, touches on the need for effective risk management, and states that the internal audit function should have "unfettered access" to the board audit committee. In 2014, its "Aid for Directors of ADIs and insurers" emphasised that "robust risk management . . . lies at the heart of the prudent management of an APRA-regulated institution". And further, that: "APRA's prudential standards expect that the nature of all the institution's material activities and risks are known and well-understood, and that there are robust structures for the management and reporting of those risks." Clearly this guidance did not have the desired effect. Following Hayne, APRA released a governance prudential standard CPS 510 in July 2019 and updated its guidance for directors of ADIs in November 2022. These are much longer and more detailed than its 2014 guidelines, as Figure 3 below shows. Only time will tell if they help to avert another crisis.

Size of governance guidance documents expands by leaps and bounds

A new accountability regime imposes stricter standards on regulated entities



The rights of shareholders to launch civil cases against directors were cut by law amendments in 2020-21

A reviewer appointed by the new labour government found little impact so far of the amendments

Figure 3

APRA gets detailed: Guidance documents for directors¹

Year	Title	No. of pages
2014	“Aid for Directors of ADIs and insurers”	8
	Hayne Royal Commission, December 2017 to February 2019	
2019	“Prudential Standard CPS 510 Governance” ²	28
2022	“Authorised deposit-taking institutions: guide for directors”	85

¹ Note that this table only shows APRA guidance specifically for directors and on governance. It has issued numerous other prudential standards on risk management, audit, remuneration, the fit and proper test, public disclosure and so on. ² Reissued in late 2023 with a section on remuneration deleted. In August 2021, APRA issued a separate prudential standard on remuneration (CPS 511). Source: APRA; ACGA table

One new regulatory initiative that may help is the Financial Accountability Regime (FAR), which replaces and extends the Banking Executive Accountability Regime (BEAR). Jointly administered by APRA and ASIC, FAR imposes a “strengthened responsibility and accountability framework” on regulated entities, is intended to increase transparency in financial firms, and will “help embed a culture of accountability for misconduct at an individual level”. The application of FAR is wide: in addition to ADIs, it will cover insurance companies, superannuation trustees and their licensed non-operating holding companies.

Minority access to courts

While Australia has an open and pro-shareholder class action regime, certain changes that occurred during the first year of Covid-19 and later became permanent led us to reduce our score slightly (by half a point) as to whether minority shareholders have fair and efficient access to courts (Q1.12). As reported in our previous survey, CG Watch 2020 (*Future promise*), the then treasurer, Josh Frydenberg, sought to limit the ability of shareholders to launch class action lawsuits against companies for breaches of continuous disclosure regulations. In May 2020, the Corporations Act was temporarily amended to say that companies and their officers could only be held liable in civil proceedings for breaching continuous disclosure obligations if they had acted with “knowledge, recklessness or negligence” when providing updates on price-sensitive information. Originally intended to last just six months, the reprieve became permanent in August 2021 following a narrow vote in favour in the Senate, the upper house of parliament.

After the labour government came to power, it pledged to reverse this amendment (as well as certain changes to class action litigation funding, which we do not cover in this chapter). In September 2023, the government appointed an official reviewer, Dr Kevin Lewis, a former chief compliance officer at ASX, to examine the impact of the changes. Treasury then issued a consultation paper in November 2023 seeking input from various stakeholders. Lewis’s report, which was made public in May 2024, found the 2021 amendments had so far had little impact on the number and type of continuous disclosure class actions, especially “meritorious” actions. But he also noted it was too early to draw meaningful conclusions and expressed concerns about the impact of the amendments on ASIC’s ability to file infringement notices (fines) and civil suits on continuous disclosure. These latest developments occurred after our scoring concluded.

Australia got its first national anti-corruption agency in July 2023

NACC's scope of work covers the federal public sector, including politicians

NACC's job is to root out systemic corruption

More than 500 complaints were made to the NACC in its first month

The first successful sanction was against an ATO officer . . .

. . . the second was against an employee of Western Sydney Airport

A federal ICAC at last

Six months after the passage of legislation in December 2022, Australia finally got its first National Anti-Corruption Commission (NACC) on 1 July 2023. A respected judge from the NSW Supreme Court, Paul Brereton, became its first commissioner. He is supported by three deputy commissioners with backgrounds in law enforcement, criminal intelligence, public and commercial law, and state-based anti-corruption work. Its first CEO, Philip Reed, was previously the inaugural CEO of the NSW ICAC, among other roles.

NACC's mission is to "enhance integrity in the Commonwealth [federal] public sector by deterring, detecting and preventing corrupt conduct involving Commonwealth public officials through education, monitoring, investigation, reporting and referral". It defines "public officials" as including ministers, parliamentarians and their staff, and staff members of Commonwealth agencies. The latter covers not only full-time staff employed by agencies, but contracted service providers as well. While it can investigate attempts by private individuals to bribe or influence public officials, it does not have a remit to detect private-sector corruption at the national level. This remains the purview of the police.

The NACC is tasked with focussing on "serious and systemic" corruption. That is, corruption that is "significant, more than negligible or trivial", and corruption that involves a "pattern of behaviour", can "occur in one or multiple agencies, and can involve one or multiple individuals". In other words, not isolated cases.

If proof is needed of the public demand for such a body, the data tell the story. In its first month the Commission received 541 referrals (ie, complaints) from a range of sources, including ordinary people. This rose to 2,955 referrals towards the end of May 2024. While most of these cases (2,312) were excluded because they did not involve a Commonwealth official or relate to corruption, 414 of them were still "under assessment". Meanwhile, the NACC was conducting 21 investigations and overseeing another 20 investigations by other agencies.

The first successful sanction reported by the NACC took place in March 2024 and involved an officer of the Australian Taxation Office (ATO) accepting bribes. Wenfeng Wei, a former ATO auditor, pleaded guilty to accepting A\$150,000 to reduce a A\$6m tax assessment. He was sentenced to five years in prison with a non-parole period of 2.5 years. While this was formally the NACC's first win, the agency inherited it from an earlier entity called the Australian Commission for Law Enforcement Integrity (ACLEI). The ACLEI was a federal government agency formed in 2006, but had a much more limited purview to root out corruption in certain federal departments.

The NACC's first self-initiated success involved an entity that may not at first appear to be a Commonwealth agency - Western Sydney Airport (WSA). On 28 March 2024, the commission announced that a former WSA employee had been charged with allegedly seeking a bribe of A\$200,000 during the procurement of services for the airport worth A\$5m. The case came to light, thanks to a WSA referral, after which the commission worked on it with the Australian Federal Police. Since the airport is categorised as a Commonwealth entity under the NACC Act 2022, its staff are Commonwealth public officials.

Australia improved one point to 66% and took the first place

The “twin peaks” model has shown its durability

APRA and ASIC are joined by the RBA and Treasury in the Council of Financial Regulators (CFR)

ASIC’s remit is extremely wide

ASIC’s regulatory universe is roughly 19 times bigger than APRA, but spends only about 2.4 times as much

2. Regulators

Australia rose one percentage point to 66% in this two-part category and moved from third position in 2020 to first. Its improved ranking was in part due to Hong Kong falling seven points to 62% and coming fifth, while Taiwan dropped a point to 65% and came second. While Australia has a fairly robust regulatory system overall, in the past it has lost points here for regulatory funding, enforcement effectiveness, and opacity in the compliance work of ASX. Its main area of improvement this time was in enforcement, primarily the efforts of ASIC.

Australia’s financial regulatory system is based on its famous “twin-peaks” model, which dates to July 1998. One peak is APRA, the prudential regulator for banks, insurers, and superannuation funds. Its primary job is to maintain financial stability by ensuring these entities have sufficient capital to meet their long-term liabilities. It also has an enforcement role in holding regulated entities to account and an educational role in raising governance standards. The other peak is ASIC, which supervises the conduct of listed and unlisted companies as well as all other market participants and is tasked with protecting consumers of financial products.

Some commentators argue that the system should be called a “triple peak” model, since the Reserve Bank of Australia (RBA) is responsible for stability of the financial system and is the lender of last resort.¹ For its part, the RBA emphasises that responsibility is vested in four organisations: the three above plus the Treasury. These four make up the Council of Financial Regulators (CFR), which describes itself as the “coordinating body for Australia’s main financial regulatory agencies”. CFR holds a quarterly meeting and releases a statement outlining issues discussed, but does not itself have regulatory or policy-making power.

ASIC’s remit

A characteristic feature of the Australian system is the strikingly wide remit given to ASIC, as our outline above hints at. This is dictated by two key pieces of federal legislation, the Australian Securities and Investments Commission Act 2001 and the Corporations Act 2001. Its regulatory and enforcement work covers not only market misconduct such as insider trading, market manipulation, and consumer scams, but it also regulates a range of sectors including insurance, credit, superannuation, financial advice and managed investments. It is moreover the lead regulator of auditors and recently resumed responsibility as the registrar of companies.

As Figure 4 below shows, ASIC’s regulatory universe is approximately 19 times larger than APRA in simple numerical terms, while its operating expenditure is only about 2.4 times bigger. There is of course an element of comparing apples and oranges here: APRA’s figures refer to institutions, while ASIC’s includes both institutions and individuals. Nor can numbers indicate the degree of difficulty posed by different regulatees or sectors. Nevertheless, the figures do give a rough indication of the breadth of what ASIC is required to do.

¹ See Andy Schmulow, “Financial regulation: Is Australia’s ‘twin peaks’ model a successful export?”, Lowy Institute, 1 March 2016.

By the numbers . . .

Figure 4

The two peaks: what sits under

APRA	ASIC
Regulates 1,790 institutions, including: <ul style="list-style-type: none"> <input type="checkbox"/> Authorised deposit-taking institutions (such as banks, building societies and credit unions) <input type="checkbox"/> General insurers <input type="checkbox"/> Life insurers <input type="checkbox"/> Friendly societies <input type="checkbox"/> Private health insurers <input type="checkbox"/> Reinsurance companies; and <input type="checkbox"/> Superannuation funds (other than self-managed funds) 	Supervises 23,034 “regulated entities” (both firms and individuals), including: <ul style="list-style-type: none"> <input type="checkbox"/> Australian Financial Service (AFS) licensees <input type="checkbox"/> Credit licensees <input type="checkbox"/> Authorised market infrastructure providers <input type="checkbox"/> Registered SMSF¹ auditors <input type="checkbox"/> Registered company auditors <input type="checkbox"/> Registered liquidators <input type="checkbox"/> Registered managed investment schemes
Annual operational budget (2023 expenses): A\$229m	Annual operational budget (2023 expenses): A\$542m

¹ SMSF = self-managed superannuation fund. Sources: APRA website; ASIC annual report 2022-23; ACGA table

APRA and ASIC are overseen by both the treasury and parliament

Overseeing APRA and ASIC is the Australian Treasury, with the Treasurer appointing the lead executives and commissioners for each organisation. Both entities are also accountable to the Australian Parliament and often called before committees of the House of Representatives and Senate to answer questions from elected politicians on their performance, annual budget, plans, and views on new legislation. As Figure 5 below shows, there are three committees that play such an oversight role, one of which is a joint committee of the House and Senate. We focus here primarily on the interaction between these committees and ASIC.

Three parliamentary committees oversee ASIC

Figure 5

Parliamentary oversight of ASIC

<p style="text-align: center;">Parliamentary joint committee on corporations and financial services</p> <p style="text-align: center;">Established as a formal oversight body under the <i>Australian Securities and Investments Commission Act 2001</i> and given a statutory duty to “inquire into the activities of ASIC and the Takeovers Panel” and the “operation of the corporations legislation and related legislation”.</p> <p style="text-align: center;">Inquires in past 2 years (selected): the ASX CHESSE settlement system; ASIC enforcement performance and transparency; cyber threats; ASIC’s limited powers of oversight of auditors.</p>	
<p style="text-align: center;">House of Representatives: Standing Committee on Economics</p> <p style="text-align: center;">Established under the standing orders of the House and appointed for the life of the parliament.</p>	<p style="text-align: center;">Senate: Standing Committee on Economics</p> <p style="text-align: center;">Established under the standing orders of the Senate and appointed for the life of the parliament.</p>

Sources: ACGA research

Another oversight body, the FRAA, was created in 2021

Oversight of ASIC and APRA does not, however, stop here. A new entity, called the Financial Regulator Assessment Authority (FRAA) was created in June 2021 to assess the capability and performance of both regulators. The FRAA was established in response to recommendations from the Hayne Royal Commission and its reports are intended to “complement and enhance ASIC and APRA’s existing external accountability mechanisms”. Its first report in August 2022 focussed on ASIC and found the commission to be ‘generally effective and capable’, but recommended improvements in ASIC’s ‘use of data and technology, strengthening engagement with stakeholders, measuring its own effectiveness and capability, and broadening skillsets’.

Are regulators subject to too much oversight?

A fair question to ask is whether financial regulators in Australia are now subject to too much oversight? Has the system become too bureaucratic? Are the often fractious meetings between the Parliamentary Joint Committee (PJC) and regulators creating disincentives for officials to do their jobs and take risks? parliamentarians have a right and duty to ask questions of regulators, but there are times when the questioning appears to become political and committee members use the meetings as a platform for self-promotion. It would appear that the labour government believes at least part of the system may have gone into overdrive. In its 2023-24 budget, it announced that it intended to “reduce the frequency of the FRAA review cycle from a biennial basis to a five yearly cycle”, according to the Authority’s website.

Australia lost a point to 61% and came equal second



2.1 Funding, capacity building, regulatory reform

Australia’s score dipped slightly in this sub-category by one percentage point to 61% and it moved from equal first with Taiwan to equal second with Taiwan. Japan leapt into the first place here on a much improved regulatory score of 67%. As outlined in our standalone report on Japan, titled “Ramping up CG Reform” (22 May 2024), it gained from the considerable effort being made by all key regulators and the government to drive improvements in corporate governance and capital market regulation - and without any of the Covid-related backtracking on shareholder rights that we witnessed in Australia. Moreover, the Japan Exchange (JPX) scored more highly this round than ASX, which is the main factor holding down Australia’s score in this sub-category.

Where Australia does well

Scores remained largely unchanged for the 11 questions in this sub-category compared to our last CG Watch 2020 survey (published in May 2021). Australia has tended to do best on questions relating to fair and open public consultations; easy online access to all key company and securities laws, regulations and listing rules; and the availability of a deep archive of announcements, reports and notices from listed companies.

Where scores changed

Scores fell in only two areas: funding of stock exchange compliance work and the extent to which the ASX is strengthening its listing rules. On the other hand, we positively re-rated a question relating to the stock exchange’s investment in technology and gave a slightly higher score.

Annual appropriations have risen and plateaued

ASIC funding

In CG Watch 2020, we noted that government funding for ASIC was broadly on the rise and increased scores accordingly. In fiscal 2018-19 (to June 30), it received approximately A\$374m in annual appropriation revenue from the government, an 8% increase on the year before. Then in 2019-20 it received A\$403m, another 8% bump. Since then, annual appropriations have risen and plateaued. It received A\$437m in 2020-21, approximately A\$422m in 2021-22, and A\$426m 2022-23.

ASIC's budget goes beyond annual appropriation numbers

Operational spending can be much higher than the core appropriation figure

A special account was created in 2016 to fund enforcement cases of significant public interest

ASIC also receives appropriations for capital expenditure

Total appropriations to ASIC are higher than ordinary annual allocations

Untangling ASIC's departmental budget is somewhat more complicated, however, than its annual appropriation numbers suggest. As Figure 6 below shows, it is permitted to run deficits, which are offset in its balance sheet against contributed equity. And it has "own-source" revenue, which gives it additional spending power, though the amounts fluctuate from year to year. All of which means that its actual operating expenses can be significantly higher than the headline annual appropriation figure. Whereas the latter has flattened in recent years, operating expenses rose materially from A\$492m in 2022 to A\$542m in 2023.

Figure 6

ASIC Income Statement, 2019 to 2023					
(A\$m, rounded)	2019	2020	2021	2022	2023
Expenses	432	490	492	492	542
Own-source revenue	11	18	41	68	32
Net (cost) of services	420	471	451	424	510
Total revenue from government	374	403	437	422	426
Surplus/Deficit	(45)	(68)	(14)	(2)	(84)

Note: Due to rounding, some of the figures may not align. Figures to June 30 each year. Source: ASIC annual reports; ACGA research; figures rounded

A further dimension to ASIC's operating budget is the Enforcement Special Account (ESA). This is a nominal account established in August 2016 to fund the cost of investigating and litigating "matters of significant public interest". This amount is included in the annual appropriation and can vary widely: from A\$36m in 2018-19 to A\$41m in 2019-20, then jumping to A\$65m in 2021-22 before falling somewhat to A\$55m in 2022-23. It is worth noting that ASIC does not necessarily spend all the money allocated each year to the ESA. In fiscal 2022-23, for example, it started the year with around A\$71m in the account, then received the A\$55m as noted and an additional A\$7m for a total fighting fund of A\$133m. It spent around A\$54m and ended the year with almost A\$79m in the ESA. This money is not sitting in an ASIC bank account earning interest, but firmly held in government coffers.

The income statement above, meanwhile, does not include appropriations to ASIC for capital expenditure. In the two most recent completed fiscal years (2022 and 2023), the government allocated between A\$21m to A\$25m for such expenditure. Nor does the statement include additional equity injections from government or "adjustments to appropriation". The net result is that the "total" appropriation figure can be significantly higher than the amount provided for "ordinary annual services" (ie, annual operating expenses), as Figure 7 below shows.

Figure 7

Ordinary annual vs total appropriations to ASIC, 2019 to 2023					
(A\$m)	2019	2020	2021	2022	2023
Ordinary annual services	374	403	441	427	426
Total	418	463	493	559	483

Note: Annual appropriation figures for 2021 and 2022 in Figure 6 are slightly different to those in Figure 7 due to variances in the numbers in ASIC annual reports. Source: ASIC annual reports; figures rounded

Does ASIC have sufficient funding? We hope the FRAA provides an answer

Since 2017, ASIC has recovered a large portion of its expenses from industry levies

ASX provides little data on its investment in listing rules compliance

We reduce our score on whether ASX Compliance is sufficiently funded

ASIC has gained new powers in areas highlighted by the Royal Commission

Is this funding sufficient to cover all the disparate things ASIC needs to do? It is hard for an outsider to assess. The simple comparison above with APRA suggests that ASIC is somewhat hard done by. Anecdotally, one hears officials saying they believe the Commission is underfunded. Figure 6 above shows that operational spending for three years fiscal 2020 to 2022 was flat, though this may be affected by Covid. And its annual report (appendix 4) indicates that its ability to match private sector pay scales is limited. Meanwhile, the FRAA's first review of ASIC in August 2022 makes several references to its funding status and says it has historically underinvested in technology. It also encourages the Commission to seek more funding to enhance its data collection and analysis powers. However, it gives no general assessment of whether ASIC is sufficiently funded. Hopefully its next review, which will start in 2026, might address this issue.

Industry funding model

While the narrative above emphasises money received by ASIC from government, an industry funding model introduced in 2017 means the regulator can recover a large portion of expenses from those it regulates, thereby shifting the burden from the general taxpayer. In its most recent Cost Recovery Implementation Statement for 2022-23, it says it expects to recover A\$352m through industry funding levies. It is important to note that the government still sets ASIC's budget. Industry funding does not mean the regulator has carte blanche to spend what it likes.

ASX funding

The contrast between ASX and ASIC in terms of their transparency around funding remains stark. Admittedly, ASX has had a much reduced regulatory role since the early 2010s, when ASIC took over primary enforcement of the continuous disclosure regime, and the exchange is a private company not a statutory regulator. Nevertheless, it plays an important role in monitoring issuer disclosure and tracking compliance with the listing rules. It carries out this work through a separate legal entity, called ASX Compliance, to provide a degree of independence from the operating side of the business. This unit is quick off its feet whenever a listed company appears not to have disclosed potentially price-sensitive information. It will fire off a letter to the relevant company secretary and ask for a response as soon as reasonably possible (ie, within a couple of trading days or sooner if the information is material).

While ASX Compliance's competence is not in question, its parent company's disclosure policies are less than ideal - a point we have made in recurring CG Watches since 2016. Annual reports for the past three financial years (2021, 2022, 2023) contain no specific figures on the expenses incurred by the compliance function. Staff and technology spending by the exchange have been rising, but most of this will unlikely be enforcement-related. A brief five-page explainer on how ASX Compliance works implies that it has sufficient resources, but no hard data is provided. For all these reasons, we cut our score on whether the stock exchange is sufficiently resourced to carry out enforcement work (Q2.3) to 2.5 out of 5. At the same time, we raised the score for a complementary question on investment in surveillance and capacity (Q2.4) for the simple reason that we felt our previous score (1/5) was too low.

Regulatory reform

In addition to the major laws establishing the National Anti-Corruption Commission in 2023 and the FRAA in 2021, there has been a raft of smaller legislative amendments over the past few years stemming from the Hayne Royal Commission and which have given ASIC new powers in a range of areas. For example:

<p>The aim is to strengthen consumer protection</p>	<ul style="list-style-type: none"> ❑ New stop order powers in relation to the design and distribution of investment products. ❑ Enhanced powers to supervise superannuation trustee conduct. ❑ Restrictions on “hawking” or the unsolicited selling of financial products. ❑ New reference checking and information sharing requirements for financial advisers and brokers; and ❑ New breach-reporting requirements. <p>Many of these new powers commenced in October 2021. As ASIC says, the aim is to “provide consumers with long-term protection from the harms highlighted by the Financial Services Royal Commission, and close regulatory gaps that previously existed.”</p>
<p>Anti-phoenixing measures are finally here</p>	<p>In late 2021, Australia also introduced a unique identification system for directors, a long-awaited measure to tackle the nasty problem of “phoenixing”. As ASIC explains, this is when directors abandon a company or transfer its business to a new entity “without paying true or market value, leaving debts with the old company”. Furthermore: “Once the assets have been transferred, the old company is placed in liquidation or abandoned. If the liquidator is appointed, there are no assets to recover, which means creditors cannot be paid.”</p>
<p>New ASIC guidance</p>	<p>ASIC has, meanwhile, issued new guidance to regulated entities on topics ranging from breach reporting to whistleblowing, from phoenixing to greenwashing, and on crypto assets.</p>
<p>Sadly, virtual-only AGMs are now allowed - but issuers must change their Articles first</p>	<p>One disappointing development: a temporary Covid measure, allowing virtual-only AGMs, was made permanent in April 2022. The amended Corporations Act does include some protections for shareholders, namely issuers must hold a vote on amending their Articles before they can hold virtual-only meetings, shareholders must have a “reasonable opportunity to participate”, and meetings must be held at a reasonable time. The good news is that many companies that have tried to amend their Articles have failed. The bad news is that they were allowed to try. ACGA strongly supports hybrid, but not virtual-only, meetings.</p>
<p>Australia gained four points and moved up to equal first position</p>	<p>2.2 Enforcement</p> <p>Enforcement was one of Australia’s better performing categories. Its score increased by four percentage points to 72% and it moved from fourth position to equal first with Hong Kong, which fell four points. Singapore and Taiwan were close behind at 71% and 72%, respectively.</p>
<p>Where scores rose</p>	<p>Scores increased on four questions: evidence that overall regulatory enforcement efforts have improved and evolved; ASIC’s track record against major corporate crime and market malfeasance; the formal powers of the stock exchange to enforce the listing rules; and mitigation of conflicts of interest at the exchange.</p>
<p>Where scores fell</p>	<p>Once again, Australia was held back by stock exchange underperformance - in this case disclosure of the regulatory work of ASX Compliance. We also concluded that the judiciary was letting down the regulator by regularly issuing rather weak sentences for some quite serious crimes, such as insider trading and market manipulation.</p>

ASIC underwent a restructuring in mid-2023

The aim was to become a quicker, more confident regulator, and to remove bottlenecks

Like other regulators around the world, ASIC is facing new challenges

Social media pump-and-dump schemes have been rife

'Dummy bids are part of the fun of the stock market'

First court action on greenwashing

Organisational evolution

In the 2022-23 fiscal year, ASIC launched an internal review of its organisational structure to strengthen enforcement and its work more broadly. At that time, it managed its enforcement work under an "Office of Enforcement", comprising two parts: financial services enforcement and markets enforcement. In early July 2023, a new structure came into being. Markets enforcement was moved into the existing "markets" division, whose responsibilities were streamlined to market supervision, market infrastructure, markets enforcement and corporate finance. A new division called "enforcement and compliance" was created to deal with enforcement inquiries, investigation and enforcement action, and enforcement services. It also has a section called the Enforcement and Compliance Portfolio Executive.

ASIC explains these changes as necessary for "quicker decision making", "operational flexibility", and stronger "collaboration and coordination" within the regulator. It also says the new structure "streamlines ASIC's enforcement, compliance, regulatory and supervisory functions". It is understood that certain workflow issues between different teams within the regulator had led previously to bottlenecks and delays in investigation and enforcement. The regulator hopes the changes will lead to more confident decision-making as well.

New tricks

The arrival of new ways to scam people through social media, rising concerns about "greenwashing" in the new era of ESG investing, the prevalence of cyber risks to business, and the emergence of largely unregulated crypto-currency trading have posed challenges for ASIC as much as other regulators around the world in recent years.

Social media pump-and-dump schemes have been a particular bane. In September 2021, ASIC warned the market about a trend in the use of social media posts and online forums to create a false sense of excitement around stocks, driving up their price by encouraging others to buy, and then selling the stocks for a profit before other investors wise up. ASIC noted clear evidence of coordinated activity behind some "blatant attempts" to pump-and-dump. It warned that such behaviour may constitute market manipulation, which can attract a fine of more than A\$1m and up to 15 years in prison. It also joined social media platforms to engage with perpetrators.

One of the more colourful schemes in recent years was perpetrated by a finfluencer called Gabriel Govinda, who went by the clever name of "Fibonarchy". He pleaded guilty in June 2022 to numerous charges of market manipulation and illegal dissemination of information from September 2014 to July 2015, when he manipulated the prices of 20 stocks through 13 share trading accounts held in the names of friends and relatives. But it appears Govinda tried to be too clever when, in one of his online posts, he boasted that "dummy bids are all part of the fun and games and cat and mouse of the stockmarket!" according to an ASIC press release. Legal geeks would be interested to know that this case marked the first time a person was convicted for illegal dissemination of information under s1041D of the Corporations Act.

ASIC made headlines again in February 2023 when it launched its first court action against greenwashing. This involved a civil case against Mercer Superannuation (Australia) for "allegedly making misleading statements about the sustainable nature and characteristics of some of its superannuation investment options". ASIC alleged that Mercer claimed its sustainable funds and did not invest in carbon-intensive fossil fuels, alcohol, or gambling, when in fact they did.

Greenwashing fines start to stack up

While the action against Mercer was the first civil court case on greenwashing, ASIC had previously fined two listed companies, one investment manager, and one super trustee for misleading climate-related disclosures. They were:

- ❑ **Issuers:** Tlou Energy in October 2022 and Black Mountain Energy in January 2023.
- ❑ **Investment manager:** Vanguard Investments Australia in December 2022.
- ❑ **Super trustee:** Diversa Trustees in December 2022.

Overall, in the nine months to March 2023, ASIC undertook 35 interventions against greenwashing, including 23 corrective disclosures, 11 infringement notices (fines) and one civil penalty proceeding (ie, Mercer). It later launched two more civil court cases: Vanguard Investments Australia in July 2023 and Active Super in August 2023. And it issued two more infringement notices in November 2023 against Morningstar Investment Management and Northern Trust Asset Management. As ASIC notes in its quarterly enforcement reports, “payment of an infringement notice is not an admission of guilt or liability”. Payment does mean, however, that any liability for the alleged contravention is discharged. Non-payment could lead to court prosecution by ASIC.

First court case on whistleblowing

Another first came in March 2023 when ASIC launched a civil case in the Federal Court against TerraCom Ltd, a Queensland coal miner, and its senior executive for allegedly breaching whistleblower provisions, specifically “engaging in conduct that harmed a whistleblower”. The whistleblower alleged that the company had “falsified coal quality results”.

Letting them off lightly**Judges typically commute prison sentences for market misconduct**

A less positive feature of the Australian law enforcement system is the light treatment accorded to people found guilty of insider trading and market manipulation. In most cases where prison sentences have been imposed, judges will commute them to good behaviour on payment of a small bond (often A\$5,000 or US\$3,370) and a fine similar to the profit made (typically a few tens of thousands of dollars).

Govinda was released on recognisance, good behaviour for five years, and payment of a small bond and fine

In the Gabriel Govinda case, the maximum penalty for each charge was 10 years in prison and/or a fine of up to A\$765,000, based on pre-2019 penalties (they are now higher). He pleaded guilty to 42 charges in total, then in early May 2023 was sentenced to 2.5 years in prison. Not surprisingly he was released immediately on recognisance, the condition being that he maintains good behaviour for five years and pay a bond of A\$5,000. He was also fined A\$42,840. Similar outcomes are apparent in several insider trading cases investigated by ASIC and involving individuals over 2022 and 2023, and indeed previous years.

Penalties imposed often jar with the tough wording in ASIC press releases

It is worth clarifying that ASIC does not select which cases go to court - that is the job of the Commonwealth Director of Public Prosecutions (CDPP), which reviews criminal referrals from the regulator. Nor does ASIC decide the penalty, which is the purview of the judge. Yet there often seems to be a disconnect between the harsh warnings issued by the regulator about the seriousness of market misconduct and the usually soft penalties. ASIC press releases typically contain phrases such as “This criminal conduct threatens the integrity of Australia’s financial markets” and “Insider trading undermines investor confidence and gives individuals an unfair advantage.” If so, then surely some prison time or a more serious fine would have a stronger deterrent effect? Indeed, one reason the regulator seeks criminal prosecutions in almost all insider trading and market manipulation cases is because it believes the conduct is occurring more broadly than it can detect.

Many arguments are made in defence of light sentences

Banks have had to reimburse billions to consumers

The failures have been systemic, a result of underinvestment in IT and risk management

ASIC lambasts Westpac for poor systems and processes

What can be said in defence of the current system? One argument often put forward is that it is important to maintain parity with sentencing in previous cases, and that courts need to follow current sentencing guidelines. These guidelines cut time off potential sentences if a defendant pleads guilty at the first opportunity, hence many do. Another argument is that if a defendant is a company director, he or she will almost certainly be disqualified from serving as a director for up to five years. Meanwhile, media coverage of cases ensures that defendants are socially named and shamed. These are all valid points, but do not change the fact that most insider traders and market manipulators will not go to jail in Australia.

The dregs of Hayne

Australia marked an enforcement landmark during the past three years when ASIC completed its final Hayne-related investigations of the financial services industry by filing several proceedings in the final quarter of calendar 2021. The list of penalties meted out prior to and after that date do not make for pretty reading. According to the regulator, A\$5.6bn was remediated to seven million Australians in the six years to September 2022 (some of these cases clearly pre-dating Hayne). And in the same month, ASIC said a further A\$1.6bn had still to be paid to around 2.7 million consumers in remediations it was monitoring. Figure 8 below gives examples of specific cases.

Every major Australian bank and several smaller ones have been prosecuted either criminally or civilly, as well as insurers, superannuation trustees and investment managers. Based on comments from ASIC in regular press releases in the past three or more years, the problems have been systemic and the result of underinvestment over a long period of time in IT and risk management systems, made worse by poor compliance cultures. As ASIC Deputy Chair, Sarah Court, said on 30 November 2021 when the regulator launched six civil penalty actions against Westpac, one of the country’s big four banks (with similar criticisms of many other financial firms):

“A common aspect across these matters has been poor systems, poor processes and poor governance, which is suggestive of an overall poor compliance culture within Westpac at the relevant time. Customers are entitled to have trust and confidence in Westpac being able to deliver what it promises, without suffering financial harm. Westpac must urgently improve its systems and culture to ensure these systemic failures do not continue.”

Figure 8

Banking misdemeanours: Key ASIC announcements and penalties following Hayne, 2021 -2023

Date	Institution(s)	Charge(s)	Penalties
5 August 2021	6 large banks/financial firms: AMP, ANZ, CBA, Macquarie, NAB, Westpac	“Fees for no services” misconduct or non-compliant advice to customers	A\$1.86bn repaid/offered in compensation as of June 2021
24 August 2021	Westpac Securities/BT Funds	Persuading clients to ‘roll other super funds’ into Westpac super accounts over 2013-16	A\$10.5m penalty
26 August 2021	National Australia Bank (NAB)	Misleading fee disclosure	A\$18.5m penalty
30 November 2021	Westpac	Six civil penalty proceedings for widespread compliance failures affecting 70,000 customers over 13 years	A\$80m repaid immediately to customers in compensation
9 December 2021 (Final Hayne-related case)	ANZ Bank	Failure to provide promised benefits (fee waivers and interest rate discounts) to more than 580,000 customers between the mid-1990s and September 2021	A\$200m repaid to customers in compensation
17 February 2022	Aware Financial Services (formerly State Super FS)	Charging more than 25,000 customers A\$50m in fees for services it did not provide	A\$20m penalty
20 September 2022	AMP	Fees for services not provided to more than 1,400 customers over 2015 to 2018	A\$14.5m
10 March 2023 (update)	6 large banks/financial firms: AMP, ANZ, CBA, Macquarie, NAB, Westpac	“Fees for no services” misconduct or non-compliant advice to customers	A\$4.7bn repaid/offered in compensation as of Dec 2022

Source: ASIC quarterly enforcement and regulatory updates; ACGA table

Enforcement stats show the bigger picture

The number of surveillances has held steady, while new DDO powers have led to an explosion of cases

Disclosure stop orders are a new power dating from 2019-20

New criminal investigations fell during Covid, but litigation increased

An extraordinarily high litigation success rate

By the numbers: surveillance and enforcement statistics

Our narrative above only cherry picks some of the more high-profile enforcement cases of the past few years. Other core focus areas have been misconduct in the insurance sector (a litany of overcharging and deceptive practices similar to banking), issuing stop orders against promoters of investment products under new “design and distribution obligations”, penalising super funds and trustees for maladministration, and fining companies for breaches of continuous disclosure rules. If that isn’t enough, ASIC also regularly disqualifies directors for breaching fiduciary duties, bans individual auditors (especially in the self-managed super fund area), and steps in where it can to stop the unregulated sales of crypto assets. Much of this work does not involve going to court.

What is the geography of this wider enforcement landscape? A sketch is provided in the detailed statistics in ASIC’s annual report. First up is surveillance. As Figure 9 below shows, the number of individual surveillance cases each year has been steady and ranges from more than 1,000 to less than 1,300 in most years. The number of misleading promotional materials withdrawn or amended rose each year until 2020-21, then remained stable. Interim and final stop orders, a new tool ASIC gained in 2019-20, dipped in frequency during the Covid pandemic but have since recovered. And most interestingly, new powers over design and distribution obligations (DDO) have resulted in a big increase in regulatory action.

Figure 9

ASIC surveillance & related enforcement, FY2019 to 2023					
	2018-19	2019-20	2020-21	2021-22	2022-23
Surveillances completed	>1,200	>1,250	>1,080	>1,040	>1,300
Potentially misleading promotional material withdrawn or amended	37	48	59	61	57
Interim/final stop orders on disclosure documents	na ²	22	13	18	21
Interim stop orders under DDO ¹	-	-	-	2	78

¹ Design and distribution obligations for issuers of investment products. ASIC gained new powers to supervise these on 1 October 2021. ² A new measure introduced in 2019-20. Source: ASIC annual reports, collated by ACGA. Figures to June 30 for each fiscal year

Next comes criminal investigations, prosecutions, and non-custodial sentences and fines. As ever, the statistics vary depending on factors such as the complexity of cases, severity of breaches, time taken by the CDPP to prosecute, and time in court. Nevertheless, the numbers in Figure 10 below show the impact of the Covid pandemic on new investigations commenced, criminal litigation completed, and custodial sentences. Conversely, there was a jump in new litigation started during Covid and non-custodial sentences and fines. ASIC meanwhile puts the lower numbers in some areas in 2022-23 down to its internal restructuring that led to changes in surveillance and enforcement. We eagerly await its fiscal 2024 report.

One statistic that always stands out is the extraordinarily high - over 90% - success rate for criminal litigation; numbers that would not look out of place in most of Asia’s authoritarian states! One year it was even 100%. The most logical conclusion is that the CDPP, as one might expect, mostly selects cases it thinks it can win. That many defendants are willing to plead guilty no doubt helps too.

Custodial sentences are back to pre-Covid levels

ASIC launched more civil court cases during Covid

Civil litigation also has a high success rate

Data is useful, but numbers often hide as much as they reveal



A more detailed narrative around enforcement numbers would be welcome

Figure 10

ASIC criminal enforcement, FY2019 to 2023

	2018-19	2019-20	2020-21	2021-22	2022-23
Investigations commenced	126	134	110	107	134
Criminal litigation completed	33	35	29	38	44
% success rate	89	90	100	89	90
New criminal litigation commenced	14	38	53	50	32
Number of people/companies convicted	27	39	29	34	35
Custodial sentences (incl. fully suspended)	14	22	10	13	21
Non-custodial sentences/fines	16	8	19	21	14
Total value of fines (A\$'000; rounded)	266	732	151	2,100 ¹	190

¹ Includes A\$1.71m paid in fines by Avanteos, a former subsidiary of CBA that charged fees to the estates of deceased customers. Source: ASIC annual reports, collated by ACGA

Trends in civil court actions also vary from year to year, as Figure 11 below shows, although interestingly they increased rather than decreased during Covid. This may be because ASIC is not reliant on the CDPP to decide whether to litigate in civil actions - it can do that on its own through an internal civil litigation team. Nevertheless, the same high success rate is noticeable in civil court cases as in criminal. Meanwhile, ASIC explains the drop in new litigation commenced in 2022-23 due to the “cyclical nature of our enforcement work”. After completing 61 civil litigation actions in 2021-22, ASIC commenced 132 new investigations, which are “at the beginning of the enforcement life cycle”. Outcomes will “flow through in the years to come”.

Figure 11

ASIC civil enforcement, FY2019 to 2023

	2018-19	2019-20	2020-21	2021-22	2022-23
Civil litigation completed	75	37	46	61	52
% success rate	96	97	93	100	94
New civil litigation commenced	55	50	83	75	62
Total value of civil fines (A\$m; rounded)	13	25	189	230	185

Source: ASIC annual reports, collated by ACGA

The data provided by ASIC provides a fertile information source for trying to understand the scope and effectiveness of regulatory enforcement in Australia. As ever, though, numbers on their own hide as much as they reveal. Does a rising numerical trend mean that a regulator is doing a better job? Dealing with a bunch of easier-to-win cases? Or enjoying the fruits of the time-lag effect from efforts initiated years before? It is fair to say that the numbers do show that ASIC is engaged in multiple actions across all aspects of the capital market - and probably doing a lot more than it usually gets credit for in the press or from politicians. Indeed, ASIC is usually criticised for being a weak regulator (a view we have never entirely shared since our first coverage of Australia in CG Watch 2016). People tend to focus on single cases, especially high-profile ones, and when ASIC loses - as indeed it should from time to time - it is crucified in the court of public opinion.

There are two other observations we would make. The consistency of aggregate enforcement outcomes shown in most of the statistics above seems to correlate with the broad consistency of its funding. If politicians want ASIC to do more, perhaps they should look at its resources and not just give it more powers, as welcome as the latter might be. For our part, we would appreciate a more detailed narrative as to what the numbers mean. Some explanations are provided in footnotes to the tables in ASIC’s annual report, but they leave many questions unanswered.

There is a huge contrast between ASIC and ASX is enforcement transparency

ASX Compliance does not make it easy to find compliance data

A short quarterly report provides numbers, but almost no names

It is up to issuers to disclose responses to ASX queries, there is no central enforcement page

Australia retains first position with a slightly higher score of 83%

Scores rose on five questions, fell on three

Sifting for gold: ASX enforcement data

The contrast between the large volume of enforcement information provided by ASIC and the paucity one finds at ASX is striking. As noted in previous editions of CG Watch, and unlike best practice among Asian stock exchanges, there is no prominent link on the stock exchange homepage that provides easy access to news releases and statistics about enforcement action taken against listed companies for breaches of the listing rules. There is a link to ASX Compliance under “Regulation”, located out of sight at the bottom of the busy homepage, but while this includes a section called “Enforcement” it only covers action against trading participants for breaches of ASX operating rules.

The ASX Compliance sub-page also has a section called “Listings Compliance”, but this is partly for explaining who the compliance function is and what it does, and partly for giving advice on listings admissions and how to apply for waivers. It tantalisingly offers a monthly memo called “Listed@ASX Compliance Update”, but this only covers proposed changes to the listing rules or guidance notes, and gives advice on “topical or emerging compliance issues”.

Listings Compliance also offers a quarterly activities report, a short 5-6 pager that gets closest to what we are looking for. Much of it is devoted to explaining, on an anonymous basis, why the exchange has refused certain listing applications or did not grant waivers. Enforcement data is finally provided under two sub-headings on the final page: one called “Enforcement letters” that includes a table on the number of letters it has written to issuers regarding “price queries” (abnormal trading), “aware letters” (price-sensitive information), “show cause” (starting a delisting), and “ASIC referrals” (ASX referrals to ASIC for significant breaches of the listing rules by issuers). The other is called “Censures”, which lists the names of issuers sanctioned. But such action is rare: there was only one censure for the whole of 2023 and none in 2022.

It is possible to find ASX’s enforcement letters, but in a Kafka-esque twist you first need to know which companies it has written to during the year! The “Historical announcements” page requires a stock code before it coughs up anything. In ASX’s view, it is the issuer’s responsibility to upload their responses to exchange queries. It really is hard to find these nuggets of information.

3. CG rules

Australia’s score increased one percentage point to 83% and it retained first place. Malaysia came second again, four points back at 79%, with Singapore third on 77% and Hong Kong equal fourth with Thailand on 75%.

Although most of Australia’s scores in this section stayed the same, we raised scores on five questions: voting by poll; composition of audit committees; nomination of directors; pre-emption rights for shareholders; and protection of shareholders during voluntary delistings and takeovers. Scores fell on three questions: CG reporting; insider trading; and CG codes of best practice.

Voting by poll is not mandatory in Australia, but the rules strongly encourage it, demand it in some circumstances, and most companies do it

Audit committees are not mandatory either for all issuers, but the top 500 must have them

Nominating directors in Australia is not difficult

Where scores rose

The five questions where scores rose by a half or full point included the following (see the Appendix for the detailed scores on all questions):

- ❑ **Voting by poll (Q3.12):** While neither the Corporations Act nor Listing Rules mandate voting by poll, most issuers of all sizes conduct polls. This is partly because investors of all sizes want their votes properly counted, but also because the ASX CG Principles has strongly encouraged polls. Principle 6.4 states: "A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands." The word "substantive" here means anything that is not purely procedural, hence all resolutions at a typical AGM would be included. The accompanying commentary adds: "It is the responsibility of the person chairing a meeting of security holders to ascertain the true will of the security holders attending and voting at the meeting, whether they attend in person, electronically or by proxy or other representative. In most situations, this can only be achieved with certainty by conducting a poll."

Polls were further supported by amendments to the Listing Rules in 2019 that introduced a more transparent format for disclosing the results of shareholder meetings. While the ASX declined to make voting by poll mandatory at the time, the amendments clearly supported the full counting of votes. For example, proxies sent in before the meeting had to be counted and voting instructions disclosed (For, Against, Abstain, At Discretion). Voting numbers on a remuneration report where more than 25% were opposed also had to be disclosed.

We reassessed our previous score and added half a point, for a score of 4.5 out of 5. We have not given full points, since Listing Rule 6.8 still permits voting by hand. Given that polls are the norm in Australia, and the ASX rules are effectively 90% of the way there, we would recommend that it remove the show of hands option (which is now archaic even in Asia). Such housekeeping is given impetus by a recent decision of the ASX Corporate Governance Council to remove Principle 6.4 from its proposed new draft of the ASX CG Principles on the basis that it largely duplicates existing regulations and is not necessary (see page 28, *Coming soon: CG Principles 5*).

- ❑ **Audit Committees (Q3.17):** Readers in Asia may be surprised to hear that audit committees are still not mandatory for all listed companies in Australia. ASX Listing Rule 12.7 requires them for the top 500 companies by market cap, however, while the ASX CG Principles (Recommendation 4.1) advises all issuers to have audit committees. Since the top 500 firms account for more than 90% of market cap, we reassessed our previous score added half a point to 4.5. Again, full marks would require audit committees to be fully mandatory. This may not be as ambitious as it sounds: many small ASX companies already have audit committees, precisely because they want to be taken seriously by the market and grow into bigger entities.
- ❑ **Nomination of directors (Q3.19):** Australia has a generally liberal, transparent, and fair director-nomination process and ticks all the boxes in our survey: low ownership thresholds; transparency in legal processes; companies should treat nominations fairly (ie, not ignoring or arbitrarily rejecting them); and the names of candidates and proposers should be included in AGM materials at the company's expense. We reassessed our previous score of 4/5 and awarded full marks. Getting outside candidates to be supported by management and/or elected is another matter of course (which this question does not assess).

Australia has permissive rules on private placements . . .

. . . but its system of accelerated offers provides a counterbalance

Issuers still carry out placements

Rules on voluntary delistings and takeovers are quite strict

- ❑ **Pre-emption rights (Q3.21):** Australia does not have a perfect system for raising capital in ways that respect the rights of all shareholders. Listing rules allow private placements up to 15% of existing shares annually without shareholder approval, which is more than generous than global and regional best practice of 5-10% by volume and annual shareholder approval for issuance mandates. In contrast to best practice on new-share price discounts of no more than 5-10%, Australia used to allow up to 20% but has since scrapped this rule and no longer set limits on discounts. It further allows 10% top-up placements for smaller listed companies (though they must get super-majority shareholder approval). And then during Covid the standard volume threshold was temporarily lifted to 25% to help issuers which had an urgent need of funds. Because some companies abused the latter, we reduced our score by a point in CG Watch 2020 to 3 out of 5.

We are reinstating the point for two main reasons. The pandemic measures have passed. And while Australia’s rules on placements are quite permissive, this is counterbalanced to some extent by an innovative capital raising mechanism in use for more than a decade called the “pro-rata accelerated entitlement offer”, a type of fast rights issue which allows all shareholders to subscribe for new shares in proportion to their existing holdings. There are different types of accelerated offers. Best practice is the “PAITREO”: **Pro-rata Accelerated Institutional Tradeable Retail renounceable Entitlement Offer**, which allows all shareholders to participate equally and sell their rights if they do not wish to take them up, as in a standard rights issue. Recently many have been the more simple and less fair “ANREO”: **Accelerated Non-Renounceable Entitlement Offer**, which offers new shares on a pro-rata basis but provides no financial benefit for shareholders who do not want to exercise their rights.

Accelerated offers have not completely displaced placements. It is still common for companies wanting to raise capital quickly to undertake a placement to existing or new institutional investors. Yet in Australia this is now typically followed by a “Share Purchase Plan” (SPP) on the same pricing terms for retail shareholders and which allows them to buy new shares up to a certain dollar amount (often A\$30,000). This brings some fairness to capital raisings as it allows retail a bite of the apple. Although critics rightly point out that SPPs can also be unfair, since retail investors are typically offered only a small portion (10-15%) of the capital raise and placement discounts can sometimes be punitive (which drives down the share price and might make the SPP exercise pointless), the system in Australia is still considerably better than the private placement market in Asia.

- ❑ **Voluntary delistings/takeovers (Q3.23):** We also reassessed our score on this question, as we considered the previous rating somewhat harsh relative to other leading markets in our survey. We added a point to 4 out of 5 for the following reasons: the 20% acquisition threshold that triggers takeover rules in Australia is considerably lower than other markets with general-offer rules; the Corporations Act has strict rules on how takeovers should proceed; voluntary delistings from ASX require substantial disclosure to shareholders and an independent opinion on whether the terms offered are fair and reasonable; and shareholders are able to vote on delistings in an EGM. Although in practice any small shareholder voting against a delisting will have little impact on the outcome, especially if the issuer’s business is in decline, this system is no less robust than much of what we see in the region.

Aspects of CG reporting are superficial

Sentencing guidelines on insider trading are light

CG Code had not been revised at our time of scoring

Australia is moving to mandate climate-related financial disclosure in line with IFRS S2

Listed and unlisted companies will be included, with companies divided into three groups by size

Where scores fell

We reduced scores on the following questions:

- ❑ **CG reporting:** Although the listing rules require issuers to publish a “corporate governance statement” each year and the ASX CG principles lay down a fairly detailed framework for the content of these reports, there are areas where guidance remains superficial, in our view. Except for highly detailed remuneration reports (a company law rule), issuers do not need to produce informative and meaningful board committee reports. As we found in our company survey (see listed companies), most companies provide only brief and generic reports on their audit and nomination committees, for example. In some cases these reports are even less detailed than those produced by leading companies in Asia. We cut a point to 4 out of 5.
- ❑ **Insider trading:** Rules on insider trading in Australia are generally robust and cover all the key issues: material non-public information; tipper and tippees; coverage of conduct both within and outside the country. Penalties were also increased in 2019 from a maximum of 10 years imprisonment to 15 years. We deducted half a point, however, because sentencing guidelines allow for light penalties to be imposed in practice.
- ❑ **CG Code:** We cut half a point because, at the time of scoring in late 2023, the ASX CG principles had not been updated since 2019 and parts were starting to feel worn (eg, the guidance on board committee reporting, as noted above). We recognise that ASX released a new fifth version of the principles for public comment in late February 2024, with a submission deadline in early May. However, this fell outside of our scoring period.

Climate reporting

Like other major markets in the region, Australia is moving ahead to mandate disclosure of climate-related financial matters broadly in line with the TCFD framework and the new ISSB IFRS S2 standard on climate-related disclosures. In December 2022, the treasury released a high-level consultation paper to seek “views on key considerations for the design and implementation of the Government’s commitment to standardised, internationally-aligned requirements for disclosure of climate-related financial risks and opportunities in Australia”. More than 190 entities responded to the consultation, which proposed mandatory climate-risk reporting and assurance for large listed (and possibly unlisted) entities and large financial institutions in line with other major capital markets. Notably, the government did not at the time propose to implement ISSB’s first standard, IFRS S1, on general disclosure requirements - a fact that caused concern for some stakeholders both locally and overseas. (Note: This has now changed - see below.)

A second consultation was held over June to July 2023 and provided detail on entities to be included in the mandatory reporting rule, and how disclosure and assurance would be phased in depending on company size. More than 140 entities responded to this consultation, which proposed that listed or unlisted firms meeting at least two of the following criteria would be required to report: those with a consolidated revenue of A\$50m or more; consolidated gross assets of A\$25m or more; and 100 or more employees. The treasury noted that such criteria would include most large financial institutions, while “controlling corporations” under the National Greenhouse and Energy Reporting Act would also be included whether or not they met the above criteria.

Reporting for Group 1 is proposed to start from FY2024-25

The consultation put forward a three-step framework for phasing in reporting for companies, starting with the largest (Group 1) from fiscal 2024-25, followed by the second largest (Group 2) from 2026-27, and the smallest (Group 3) from 2027-28. It defined revenue, gross asset, and employee thresholds for each group.

Limited and reasonable assurance will also be phased in

Moreover, the paper laid out a phased roadmap for the implementation of limited and reasonable assurance by each group, with a timeline starting in 2024-25 and concluding in 2030-31. By that time even the smallest companies would need to have reasonable assurance for all their climate disclosures.

Treasury is amending the company law to make reporting mandatory

Treasury subsequently released a policy statement confirming that climate-related financial disclosures would be made mandatory under amendments to the Corporations Act and related laws. It published draft legislation for public comment on 12 January 2024 and introduced legislation into parliament in late March 2024. Complementing this will be related accounting and assurance standards published, respectively, by the Australian Accounting Standards Board (AASB) and the Australian Auditing and Assurance Standards Board (AUASB). AASB released its draft accounting standard on climate-related financial disclosure for public comment in October 2023, while AUASB followed in March 2024.

The start date for Group 1 may be pushed back

Treasury also affirmed that the three-part implementation framework proposed in the second consultation paper would be adopted, although it indicated it would seek further feedback on whether the start date for Group 1 should be 1 January 2025 instead of 1 July 2024. As for assurance, the statement was relatively brief. It did however emphasise that climate disclosures would be “subject to similar assurance requirements to those currently in the Corporations Act for financial reports” and that AUSAB would “set out a pathway for phasing in requirements over time”. This would start with the assurance of Scope 1 and 2 emissions from 1 July 2024 and end with the “assurance of all climate disclosures made from years commencing 1 July 2030 onwards”.

Belatedly, treasury affirmed its support for IFRS S1

Perhaps conscious of the criticism that Australia was not following ISSB in its entirety, treasury emphasised that the government “endorses full adoption of the ISSB’s IFRS S2 climate-related disclosures standard in Australia, with modifications limited to those necessary to ensure standards are fit for purpose for Australia”. And that it “supports adoption” of IFRS S1 general requirements for disclosure of sustainability-related financial information “where required to give effect to climate disclosure standards”. Watch this space.

A fifth version of the ASX CG principles was released for public comment in February 2024

The wording of two high-level principles has broadened

The 30% gender diversity target for boards has been superseded by a new 40/40/20 goal

Disclosure of director gender identities is attracting heated debate

Among deleted recommendations is one on voting by poll

Australia dropped three points but still came first

Coming soon: CG Principles 5

The ASX Corporate Governance Council, which comprises representatives of 19 capital market stakeholder organisations, released a fifth version of its corporate governance principles for public comment on 27 February 2024. While keeping the structure of the current code basically intact, the new version expands the language around two principles, drops several general recommendations that it feels duplicate existing laws, adds seven that only apply in specific cases (such as entities based overseas), and reduces or simplifies some existing commentary.

The two principles whose wording has been broadened include Principle 3 on “acting lawfully, ethically and responsibly”, which puts a new emphasis on doing so not just within the organisation but in dealings with external stakeholders. The other is Principle 8 on “fair and responsible remuneration”, which now says that executive pay should not just be designed to attract the best, but should be fair, responsible and aligned with the entity’s values, strategic objectives, and long-term sustainable value for security holders.

The new recommendations and “updated disclosure expectations” cover 10 areas spanning from board skills/composition and disclosure of director diversity characteristics to the interests of key stakeholders, effectiveness of D&I practices, disclosure of auditor tenure, non-executive director remuneration, and clawback of performance-based remuneration. Notably, the revised principles call for a “gender-balanced board”, not just a 30% target for women directors as before (something that most ASX300 companies have already exceeded). This means 40% women, 40% men, and 20% any gender - a policy promoted in recent years by major super funds in Australia.

The issue attracting most controversy is how to handle the disclosure of gender identities of board members. The revised principles are somewhat coy, saying: “Rather than specify types of diversity beyond gender, the consultation draft proposes that a listed entity disclose if there are relevant diversity characteristics (other than gender) which a board is considering in its membership.” Some fear this will lead to demands for disclosure of any LGBTQI+ identities among directors and may breach privacy rights. Others say the provisions do not go far enough and should specify ethnic diversity targets.

Recommendations deleted because they are felt to duplicate existing regulation include, among others, the disclosure of whistleblower policies, anti-bribery and corruption policies, CEO/CFO declarations on financial statements, and voting by poll. Some now apply only to entities established outside Australia. ASX has yet to decide on the start date of the new code. It has asked the market for feedback on 1 July 2025 as a possible option.

4. Listed companies

Along with most markets, Australia lost a few points in this category due to our more demanding listed company survey. It shed three percentage points to 76%, yet still retained first place by a comfortable margin: Malaysia came second on 66% and India third on 60%. Singapore and Hong Kong followed in fourth and fifth.

The 15 firms surveyed represented a range of sectors

For this section, we surveyed in depth the governance practices and disclosure of 15 large caps selected from the top 50 listed companies. These firms represented a range of sectors: banking, mining, supermarkets and retail, telecoms, technology, energy, building materials, property, airlines, and betting/gaming.

All companies scored full marks on three questions

Where Australia does well or above average (3 to 5 out of 5)

As Figure 12 below shows, Australia companies performed best - indeed all 15 produced perfect scores - on three questions in our survey:

- An independent board chair.
- Disclosure of the total remuneration of each director by name, broken down into key components.
- Independent director fees paid mainly in cash or stock, but not stock options, bonuses, or a percentage of company earnings.

They also rated well for remuneration disclosure and financial literacy

They also scored highly on the disclosure of executive remuneration policies (14 perfect scores) and for the independence and financial literacy of audit committees (13 perfect scores).

Most of these areas are backed by mandatory regulation

Without taking away too much from this achievement, it should be highlighted that all the above issues are either mandatory regulatory requirements, quasi-mandatory “rules” dictated by the ASX CG principles, or market norms in Australia. The CG principles call for independent chairs (Recommendation 2.5) and provide guidance on pay for non-executive directors, including independent directors (Recommendation 8.2 box). The latter is explicit in stating that non-executives should not receive performance-based pay as it “may lead to bias in their decision-making and compromise their objectivity”. The principles are not against non-executives receiving securities as part of their compensation, but they should not receive options with performance hurdles or performance rights since this could also compromise them.

Company law requires detailed remuneration reporting

On remuneration, the Corporations Act (sec 300A) requires listed companies to present a report to shareholders at each AGM that outlines policies for determining the nature and amount of remuneration paid to key management personnel (which includes executive directors), the relationship between the policies and company performance, an explanation of performance hurdles and actual remuneration paid to key management personnel. Under Listing Rule 12.8, all ASX300 companies must have a remuneration committee, while Recommendation 8.1 of the CG principles calls on all issuers to have such a committee and ensure it is chaired by an independent director.

A regulatory expectation that all directors will be financially literate

As for audit committees, these are mandatory for the 500 largest issuers and recommended by the CG principles for all, as we have outlined above under CG rules. They should have independent chair who is not the board chair. There is a strong regulatory expectation that all directors will be financially literate, not just those on the audit committee. And the CG principles advise that audit committee members “between them should have the accounting and financial expertise and a sufficient understanding of the industry in which the entity operates, to be able to discharge the committee’s mandate effectively”.

Only one company did not have a nomination committee

Nomination committees with independent chairs are also a prevalent feature of the Australian landscape, with 10 of the 15 companies in our survey scoring full marks. Another four scored 4.5, while one received no points because it delegated the

The quality of investor relations is high

nomination process to its entire board, which was somewhat surprising to see in a large company. It also contradicts the spirit of Recommendation 2.1 of the CG principles which calls on all issuers to have an independently chaired nomination committee.

As one would expect, large Australian companies are good at investor relations (IR), as reflected in the average score of 4/5. Company websites had clear and easily accessible information for investors, including all reports, notices, announcements, and shareholder meeting documents and results. Where most companies lost a point was in their failure to provide the names and contact details of IR managers on their website IR pages - most give only a generic email and phone number. Such information is sometimes available in AGM materials.

Half the companies scored highly on ESG reporting; five did poorly

An area where many companies did well was in the quality of their ESG/sustainability reporting, with eight of the 15 scoring 4 out of 5 or above (none scored full marks). There were however five notable underachievers: a retailer, two technology firms, a manufacturer of building materials, and a gaming company. While the nature of their reports differed, common denominators included superficial statements on materiality, short reports, limited or no alignment with TCFD and SASB, and a leaning more towards old-school (corporate social responsibility (CSR) reporting than modern ESG or sustainability disclosure.

Diversity disclosure was variable, with only seven firms doing well

Two other areas that followed a similar pattern were the disclosure of board diversity policies, targets and strategic rationales, and reporting on director training. For board diversity, the overall average score of 3.5 was held down by the poor performance of two companies and middling efforts by several others. The better companies (seven which scored 4 or more) produced diversity policies that were specific to their needs, included meaningful targets within reasonable timeframes, and tried to connect the diversity policy with their overall business strategy. They also produced informative and helpful skill matrices. The lower scoring companies performed poorly in all these areas.

Director training disclosure also varied, with only six firms doing well

There was a close similarity in director training: two companies underperformed by a wide margin, several others earned moderate ratings, while six scoring highly. The laggards in this group were companies that provided brief statements saying they had organised training for directors but offered few details on content or who attended. Some did better by describing the content of their continuing training in broad terms and noting they also had an induction programme for new directors. And the best provided specific detail on courses offered, the rationale for the training, who attended, whether this was done as part of a site visit or at headquarters, and the content of induction programmes.

Internal audit disclosure could be better

The final question where companies earned an above-average score was in the role of internal audit. Interestingly, all 15 companies scored 3 here. Each company earned points for having an internal audit (IA) department and for IA having a direct reporting line to the audit committee or equivalent. But none explained, beyond formal statements, how the relationship worked in practice or what was discussed, as is now required in Taiwan for example.

All companies had women on their nomination committees

Where Australia performs averagely (2.5 out of 5)

There was only one question where Australia earned a middle score of 2.5 - the presence of women on the nomination committee (NC). One company had a woman chairing the NC, while all had women directors as members: seven had just one or two female members, while another four companies had three each. More impressively, there were four firms that had four or five women directors on their

NC. Research undertaken by ACGA in Hong Kong and China indicates that the presence of women on nomination committees correlates quite positively with a higher percentage of women on boards.

Figure 12

Australia listed companies' scores, CG Watch 2023

Question	Average score	Range of scores
1. Does the company's board governance reporting compare favourably against international best practice?	2	1-3.5
2. How would you rate the quality of the company's ESG/sustainability reporting?	3.5	1.5-4.5
3. Does the company provide comprehensive, timely and quick access to information for investors?	4	3-4
4. Does the company undertake annual board evaluations, either internally or using external consultants?	2	1-3.5
5. Does the company disclose and implement a credible board diversity policy?	3.5	1-4.5
6. Does the company provide induction and/or ongoing training to all directors?	3.5	1.5-4.5
7. Does the company have an independent chairman and/or a lead or senior independent director?	5	All 5
8. Does the company disclose total remuneration of each member of the board of directors?	5	All 5
9. Are the independent directors paid partly or wholly in stock options or restricted share awards? Do they share in a percentage of company earnings or other commissions in addition to their base fee? (Note: We mark companies down if the answers to the above questions are Yes.)	5	All 5
10. Are audit committees (or an equivalent) independently led and competent in financial reporting/accounting matters?	5	4-5
11. Does the company have an internal audit department that reports to the audit committee?	3	All 3
12. Does the company provide a detailed explanation of its executive remuneration policies?	5	4.5-5
13. Does the company have a nomination committee and is it independently led?	4.5	0-5
14. Does the nomination committee have a female chair or at least one female director?	2.5	2-5

Source: ACGA research. Based on 15 large caps from a range of sectors in the top 50 companies.

CG reporting still disappoints

Where Australia performs poorly (0 to 2 out of 5)

The most disappointing aspect of this survey was the low score for CG reporting. Only two companies scored a 3 or more, with the highest score being 3.5. Another eight scored between 1.5 to 2. And a third of firms came in at just 1. The reason is identical to what we found last time around - superficial reporting on board and committee areas of focus and activities during the year (ie, specifics not just generic statements), almost no attempt to describe the value that independent directors add to board governance, and limited or boilerplate explanations for electing or re-electing directors. Indeed, the extent of formulaic reporting on most board committees in most CG statements is striking (beyond the remuneration committee of course). Indeed, many Australian companies write audit and nomination committee reports of just a few paragraphs long and which contain no meaningful information. The company that scored highest offered the following:

- ❑ A useful table outlining the range of topics discussed by the board in FY23. Nine main themes over six board meetings.
- ❑ A CG statement containing concise summaries of each board committee's work and a list of "2023 focus areas" (though in truth many of these are formal responsibilities).
- ❑ Director biographies in the AGM circular contain a "recommendation" giving a reason for their nomination (though these are mostly boilerplate).

But as can be seen, even this company falls short on our scoring criteria.

Companies provide few details on board evaluation results or next steps

Disclosure on board evaluations also remains terse. All companies undertake annual evaluations of some form, sometimes with the help of outside consultants, and brief information is provided by most on the underlying process. Yet few companies

Australia retained its number one position on a higher score of 69%

Australia has had a substantial head start on active ownership

IFSA released its Blue Book on CG in 1995

ACSI was formed in 2001 to represent asset owners. It developed a stewardship code in 2018

AIST produced a governance code for its trustee members in 2017

FSC published a stewardship code for asset managers in 2017

Australia's score is held down somewhat by moderate CG participation rates of foreign investors

reported meaningful results or areas for improvement. Any conclusions offered tended to be high-level: "Board and board committees continue to function effectively and work well." One company did however offer some qualitative thoughts about next steps: "more time for unstructured discussion" and "more opportunity for education and study".

5. Investors

Australia retained first place with an elevated score of 69%, three percentage points higher than our last survey. Japan came second again on an improved rating of 65% and Korea held on to the third position with a big increase in score to 56%.

Investor stewardship in much of the region remains a work in progress, with Australia enjoying a substantial head start. Whereas Asia did not focus seriously on stewardship until Japan and Malaysia became the first places to issue official stewardship codes in 2014, active ownership policy has been a feature of the Australian investment environment for more than two decades. Indeed, the onus on funds to integrate governance has been on an upward trend since the compulsory superannuation industry was created in 1992.

One of the earliest initiatives came from the Financial Services Council (FSC), the peak industry body for the investment sector formerly called the Investment and Financial Services Association (IFSA). It developed a range of governance standards and guidance documents for members, starting with its famous "Blue Book" on corporate governance in 1995. The ASX corporate governance principles and recommendations were reflected in many of the principles and guidelines in the second edition of the Blue Book.

Around the turn of the century, the country's big industry super funds collaborated to form the Australian Council of Superannuation Investors (ACSI) in 2001. ACSI has since played a leading role in articulating the governance and ESG concerns of its members and engages with government, major listed companies, the media and other stakeholders on a regular basis. Its mission has also included providing proxy advice to members and working with them to engage with major listed companies. Then in 2018, ACSI developed a formal stewardship code, called the "Australian Asset Owner Stewardship Code". An updated version was released in March 2024.

A third related entity formerly called the Australian Institute of Superannuation Trustees (AIST), which represented trustees sitting on industry pension fund boards, has also played a governance role. In 2017, it developed guidance for member firms on their internal governance, called the AIST Governance Code, and updated it subsequently. AIST has since merged with another group, Industry Super Australia, to form a new entity called the Super Members Council of Australia.

To complete the loop, it is important to mention that the FSC developed a stewardship code for its asset manager members in 2017. Called the "Principles of Internal Governance and Asset Stewardship", it is a standard, not merely guidance, and mandatory for FSC members to report on a "comply or explain" basis.

Given all these positive developments, one may wonder why Australia's score in this category is not higher. This is primarily because our survey also considers the involvement of foreign institutional investors in the CG ecosystem of a market. Foreign investors in Australia do actively vote their shares (often against management on the big issues), engage with companies individually and sometimes collectively,

Where scores changed

Domestic investors rate slightly lower on conflicts policies and vote disclosure

Scores for retail participation are high

A deep dive into the policies and practices of large owners and managers

and contribute to policy discussions from time to time. But the intensity of this involvement is lower than in the more contested Asian markets such as Japan and Korea from what we have observed over the years. It might be argued that Australia, with its generally higher governance standards, does not need foreign investor input in this area as much as most Asian markets - and that they in turn are less concerned about governance risk. This may be true up to a point, but foreign investors have weighed in on policy issues in the past, especially around climate change and natural habitat protection, and voted accordingly. Their participation, when it comes, clearly adds weight and significance to governance issues and media coverage.

Scoring summary

Scores increased in this category on the efforts of domestic asset owners and managers to promote CG, and in some aspects of retail activism. They decreased slightly on domestic institutional investors attending AGMs in person (an area we do not see improving) and on individual and collective engagement with companies by both domestic and foreign investors. The latter two scores dropped for purely technical reasons, not for any substantive decline in engagement efforts. Our new survey allows for half-point scoring, whereas in 2020 we rounded up any scores with a 0.5 at the end. We simply removed the rounding this time, resulting in a score for domestic investors of 4.5 out of 5 and for foreign investors of 2.5/5.

Overall Australian institutional investors do well for having substantive CG and ESG policies, for actively voting their shares, and having local asset owners that play a leadership role in stewardship. They rated moderately well on disclosing conflict of interest policies and on reporting of voting down to the company and resolution level. The lowest scores were for participating in AGMs and the existence of a group of activist investing funds.

Four questions in our survey address the role of retail investors, with Australia rating highly on most of them: the existence of an established retail shareholder association, active participation in AGMs, and retail activist campaigns. It scores moderately on the fourth - retail lawsuits against errant companies.

The domestic dimension

As in our previous survey, we assessed domestic institutional investors by taking a deep dive into the responsible investment policies and practices of five large asset owners and 10 large asset managers, looking for evidence of CG/ESG policies (including voting policies), disclosure of voting records (including down to the company and resolution level), participation in AGMs, individual and/or collective engagement with companies (and disclosure of this engagement), and how they go about managing conflicts of interest. Figure 13 shows the aggregate results:

Figure 13

Australian asset owner and manager active ownership disclosure, 2023

Disclosure of:	CG/ESG policies	Voting records	Voting to company level	AGM attendance	Regular company engagement	Collective engagement	Engagement disclosure	Conflict of interest policies
Asset owners ¹ (out of 5)	5	5	5	1	5	5	Generally good	Limited focus on organisation-wide conflicts
Asset managers ² (out of 10)	10	8	8	0	9	7	Mixed quality	Broader organisation-wide focus

¹ Asset owners: Future Fund, AustSuper, Aware Super, Australian Retirement Trust, Unisuper.

² Asset managers: Macquarie AM, First Sentier Investments, BT Financial Group, Challenger, IFM Investors, MLC AM, Magellan, Perpetual, Platinum, Australian Unity. Source: Investor reports and websites as of September 2023; note that some reports were to June 2022 only. ACGA research

High quality disclosure of most basics

As the table shows, there is a broad similarity between the strengths and weaknesses of asset owner and manager disclosure, with asset owners doing somewhat better overall. Owners scored highly on all criteria, except for AGM attendance and conflict of interest disclosure. Managers largely followed suit, except for two which did not report voting records, one which did not talk about company engagement, and three that appeared not to have participated in any collective engagement. Manager engagement disclosure was generally of more mixed quality, while their conflict management policies were typically more detailed. (Note that disclosure obligations in many of these areas are dictated by legislation as well as guidance from ASIC and APRA.)

The FSC has mandated voting records disclosure since 2004

The less than perfect score for asset-manager disclosure of voting records is interesting, since the FSC has provided a mandatory standard on this for almost 20 years. “Standard No. 13 on Voting Policy, Voting Record and Disclosure”, first released in October 2004, requires investment scheme operators to articulate a voting policy on listed investments, be transparent as to the use of proxy advisors, and “exercise and disclose its voting (on an 'entity and resolution level' basis) in accordance with the policy”. Voting records must then be disclosed at least annually and no later than three months after the financial year-end.

One element missing in Australia is disclosure of reasons for voting against

It is also worth highlighting that unlike other markets we cover, such as Japan, Korea and Thailand, there is no requirement in Australia for disclosing reasons for voting against management resolutions at the company level. Although such disclosure in Asia often results in the use of stock phrases such as, “Did not meet our independence requirements” or “Did not meet our diversity policy”, transparency must start somewhere, and boilerplate can evolve into something more substantive. Of the 15 institutions we reviewed, only two provided (mostly brief) explanations for voting against. For the sake of clarity, we are not implying that institutions should be required to explain every vote against. However, rationales for against votes on major issues or at large holdings would be beneficial for the market. Indeed, in its latest stewardship code, ACSI recommends that signatories could also consider disclosing, “Whether and when the asset owner advises companies of a decision to cast a vote against or abstain from a resolution.”

Institutional participation in AGMs is limited

On the issue of AGM attendance, there seems to be an industry consensus that physical or online participation is unnecessary since one-on-one engagements have already taken place. Without wishing to detract from the importance of individual company engagement, ACGA's view is that participation in annual meetings is a useful way to hold companies to account and raise governance standards over time. The AGM is the one opportunity each year when investors can ask questions of a board or the company's auditor in public. Such questions need not be confrontational or critical, unless circumstances demanded. They could be educational and strategic, signalling to other shareholders and the market what the owner or manager's concerns are. Again, for the sake of clarity, we not suggesting that individual funds should attend all or even a large proportion of the meetings in their portfolios - no one has the resources. Instead, a selective approach targeting a few major issuers each year could add to the richness of meetings.

Reporting on engagement is mostly better from owners than managers

Disclosure on company engagements was, as noted in Figure 13, generally better from owners than managers (albeit the owner universe was a lot smaller). All owners provided summaries of engagement efforts, both individual and collective, with much of the latter taking place through industry association platforms or alliances on ESG, climate change, modern slavery, energy transition, extractive industries and

Conflict of interest policies from owners had less detail on organisational conflicts than we expected

Asset managers tend to give more prominence to organisational conflicts

Australian private fund managers emerge into the activist light as and when they feel the need

ACCR and market forces are the two big activist names on climate issues

so on. The best owner reporting started with a statistical summary of what their engagement programme achieved, followed by examples of individual company targets and outcomes, and then the same for each collective engagement project. The best manager reporting was similar, with some trying to measure engagement outcomes. The worst manager reporting merely included a piecemeal list of case studies and no overall description of the scope of engagement.

The picture was somewhat reversed on policies for managing conflicts of interest. Owners tended to put emphasis on preventing unethical and/or potentially corrupt behaviour by individuals (directors, managers, employees), such as accepting gifts or entertainment, the personal trading of shares, or having competing interests or duties to other entities. While they touched on possible organisational conflicts, there was less detail than we expected. Two of the owners noted that they may be subject to conflicts arising from related-party transactions. It will be interesting to see how these policies evolve given that ACSI's latest stewardship code advises signatories to "consider disclosing their processes for identifying and managing any conflicts that may impact their stewardship and voting practices." (Principle 2/Disclosure). Such conflicts, says ACSI, could include such things as instances when an "asset owner participates in a placement and the voting matter relates to the placement", or where a director related to the fund is seeking election or re-election, or where "a person responsible for voting decisions has a close personal relationship with staff of a company that is the subject to a vote". Conflicts may "also arise in relation to engagement activities".

In contrast, most of the 10 managers surveyed gave greater prominence in their policies to the issue of conflicts at the fund or organisational level, such as between the investment division/subsidiary and the interests of the parent company, or between the former and client companies. Some statements were quite brief, however.

Activism Australian-style

In contrast to markets like Japan and Korea, it is fair to say that Australia does not have an established community of mid-sized, independent activist funds consistently targeting underperforming listed companies, running public campaigns over many years (including adding new targets to the list), and led by charismatic founders who go on to become media heroes. What it does have, firstly, are funds that emerge into the limelight when they feel the need arises on single-company issues. One of the most effective campaigns was run in 2022 by Grok Ventures, the investment arm of Atlassian billionaire, Mike Cannon-Brookes. It sought to shake up the board of AGL, the large electricity utility, and nominated four directors. All were elected and helped to catalyse a more ambitious decarbonisation plan, including the faster decommissioning of coal-fired power plants. More recently, a few investment funds, including Tanarra Capital, Allan Gray and HMC Capital, took on Lendlease, a property developer, for its collapsing valuation in May 2024. The funds pressured Lendlease to sell off underperforming overseas assets and largely got their wish. Individual fund managers will also speak up at AGMs from time to time.

Secondly, there are non-profit advocacy groups that focus strongly on climate and environmental issues, as well as human and workers' rights. Their biggest targets tend to be oil and gas companies like Woodside and Santos, as well as the banks which finance fossil fuels. One prominent advocate is the Australasian Centre for Corporate Responsibility (ACCR), which helped to coordinate a successful campaign to vote down Woodside's climate transition plan in April 2024. The vote against was 58.4% and was supported by ACSI and the country's two major proxy advisors, ISS

Asset owners are becoming more proactive on specific thematic issues

and CGI Glass Lewis. An attempt to vote out the Woodside chairman, Richard Goyder, failed. The other major non-profit is Market Forces, an affiliate of Friends of the Earth that is seen as somewhat more aggressive than ACCR and even more critical of Australian banks and super funds with exposure to coal and oil/gas. (Note: Both ACCR and Market Forces have been co-filers with institutional investors and/or other non-profits in launching shareholder proposals in Asia, notably against the big banks, energy companies, and steel producers in Japan.)

Pre-disclosure of voting intentions is another tool

Thirdly, institutional investors and related industry bodies are becoming more proactive. ACSI took a strong position on executive remuneration at Qantas, whose former CEO, Alan Joyce, left under a cloud in September 2023 during a period when the airline was facing widespread customer unhappiness and criticism of its business practices, not to mention investor anger about its governance and an investigation from the Australian Competition and Consumer Commission (ACCC) on its sales practices. The vote against the firm's remuneration report at its November 2023 AGM was a stunning 82.98%. Meanwhile, one of ACSI's members, HESTA, the super fund for the health care sector, has been taking an increasingly high profile on issues such as antibiotic use in food, gender equality, protecting indigenous heritage, and its 40:40 vision initiative to create more gender-balanced boards (ie, 40% women, 40% men, and 20% identifying as any gender). HESTA also sought, although unsuccessfully, to recommend three independent directors to Woodside's board in March 2024.

Domestic asset owners are also moving up the stewardship value chain by pre-disclosing in advance of AGMs how they intend to vote - a practice that has gained strong traction overseas. Three super funds did so on the Woodside climate transition plan in April 2024, including AustralianSuper, Aware Super, and HESTA.

Foreign investors pre-declared on Woodside

The foreign dimension

While foreign institutional investors vote their shares in Australian listed companies, are not afraid to vote against, and do engage with companies (mostly on an individual basis but occasionally collaboratively), they only occasionally get into the press for activism. Not surprisingly, the Woodside AGM in April 2024 encouraged some of the bigger names to reveal themselves. According to ACCR, around half a dozen pre-declared against the company's climate plan including Allianz Global Investors, CalSTRS, Florida State Board of Administration, KLP, LGIM, and Anima SGR, an Italian asset manager. Some of these names, including CalPERS, also pre-declared against the re-election of the chairman, Richard Goyder.

BlackRock has a customised voting policy for Australia

Most foreign asset managers keep a low profile, but some stick their heads above the parapet on policy issues. One example is BlackRock, which has a customised proxy voting and stewardship policy for Australia. The latest version is dated January 2024 and draws upon both global norms and local guidance, including the ASX CG principles, as well as that produced by ACSI and the FSC.

The ASA has been in business in 1960

The retail dimension

Australia does well in this part of our survey because it has long had an active retail shareholder environment. The Australian Shareholders' Association (ASA), based in Sydney, has been operating for more than 60 years and is self-sustaining financially. It offers a proxy voting service for its members and has volunteers that track individual companies, write company analyses and attend AGMs of ASX200 companies. Questions asked at AGMs often come from an ASA representative.

Points given for efforts made by activists . . .

We give points here too for the activist campaigns run by ACCR and Market Forces. This is not a value judgement on the quality or intent of their campaigns, more a recognition of the efforts being made.

. . . and for an ability to join lawsuits

Thanks to Australia’s relatively permissive class action regime, which is supported by litigation funders, retail investors are also able to opt into or out of lawsuits run by specialist law firms.

Australia dropped 4 points and came fifth

6. Auditors & audit regulators

This was Australia’s worst-performing category in terms of the change in its absolute score and ranking. It dropped four percentage points to 82% and came equal 5th with Hong Kong, having been equal 1st with Malaysia in our 2020 survey. Malaysia ranked a clear first again in this category, followed by three markets in equal second place - Japan, Singapore, and Taiwan - just slightly above Australia and Hong Kong.

Where scores fell

Scores fell on four questions: independence standards for auditors; the powers of the independent audit oversight board; the organisation of enforcement disclosure by the audit regulator; and the availability of an annual report on the regulator’s annual inspections of auditors.

Australia rates highly on standards

Standards

Australia retained full marks for most of our questions covering standards, namely the extent to which accounting and auditing standards hew closely to their IFRS and ISA counterparts, whether disclosure of non-audit as well as audit fees are required, and the adoption of “key audit matter” disclosure in auditor reports.

Rules on auditor independence do not seem as effective as they need to be

We cut one point, however, for the effectiveness of rules on the independence of auditors. Like other markets, Australia has its own version of the Code of Ethics for Professional Accountants, published by the International Ethics Standards Board for Accountants (IESBA). The code in Australia is issued by the Accounting Professional & Ethical Standards Board (APESB), formed in 2006 by CPA Australia and Chartered Accountants Australia New Zealand (CAANZ) to create a degree of independence in standard setting. A revised APES 110 Code of Ethics based on the IESBA 2018 Code was issued in November 2018 and became effective from January 2020. It was pretty much identical, except for certain differences in terms. Further updates were published in December 2022 and June 2023.

Are auditors looking as closely at internal controls as they need to be?

Although overall the Code appears to have been effective - listed company audits are respected by the market and seen as independent - the systemic IT and ethical failures in the banking and financial system raised by the Hayne Royal Commission suggest that auditors were not looking as closely at client internal controls and compliance with laws and regulations as they should have been. It is also rare to hear of auditors reporting fraud or whistleblowing, despite a duty to do so and stronger legal protections provided today. Our score here is now 4 out of 5.

ASIC has limited powers over audit firms

Audit regulatory powers

Among its many other tasks, ASIC acts as the independent regulator of auditors. We reduced the score slightly however to take more accurate account of its limited registration powers: ASIC can register individual CPAs, but not audit firms. This means in turn that it has limited powers to inspect firms and sanction them. Our score duly slipped half a point to 3.5/5.

ASIC can investigate and sanction individual CPAs

Disciplinary action disclosure is detailed

Big jump in actions against SMSF auditors in FY23

Harshest punishment against a PWC partner

Presentation of data is quite fragmented

ASIC moved to cut its audit file inspection programme

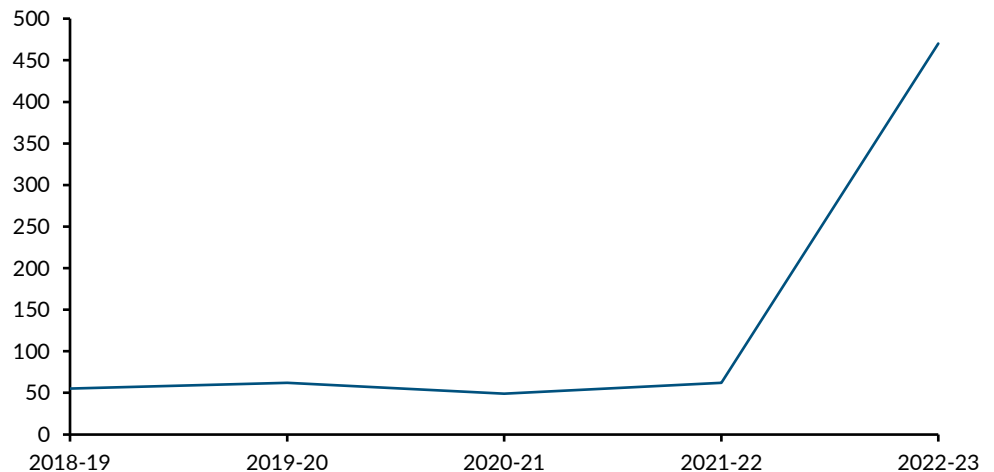
ASIC meanwhile has powers to investigate individual auditors and sanction them. In the past it inspected a range of individual audit engagement files, although this programme has now been severely curtailed (see below).

Enforcement disclosure

ASIC discloses its disciplinary action against auditors in some detail, through news releases on its website, summaries in its quarterly enforcement report, and in a section of its annual report called “Key Results” that gives enforcement statistics for the previous two years. The number of actions against individual CPAs held reasonably steady from fiscal 2019 to 2022, then exploded in fiscal 2023 due to action against non-compliant auditors of self-managed super funds:

Figure 14

ASIC actions against auditors, FY2019 to 2023



Note: Until 2021-22, ASIC released combined figures for actions taken against auditors and liquidators. In that year, it separated them. Since the number of actions against liquidators is very small, however, we have aggregated the figures above for the sake of consistency. Source: ASIC annual reports; ACGA table

ASIC’s harshest punishment in recent years came in late October 2023 when it banned Peter-John Collins, a former partner of PricewaterhouseCoopers Australia (PwC), from providing financial services or “controlling an entity that carries on a financial services business” for eight years. ASIC found he “disclosed confidential information he obtained in his roles as a tax adviser to Treasury and the Australian Board of Taxation”.

Despite the useful information provided, we cut half a point because the presentation of this material is somewhat fragmented and there is no overall summary on the ASIC website outlining its disciplinary actions in recent years. The score remains a respectable 4.5 out of 5.

Inspection changes

In the past, ASIC undertook reviews of “key audit areas” in selected audit engagement files and published the results in inspection reports that initially covered 18-month cycles and later moved to 12 months. It changed its approach in November 2022 when it launched a new “auditor surveillances” programme that selected audit issues based on problems identified in its separate financial report surveillance programme. The auditor community welcomed this since it meant in practice a significant reduction in the number of audit files reviewed and, based on feedback ACGA has

From 45 audit files in FY22 to just 15 in FY23

ASIC now links its audit file inspections to its financial report surveillance program

ASIC argues its new approach allows it to provide more pertinent information

It appears ASIC lost faith in the earlier programme. Yet new programme is narrow

Australia retained first position on an improved score of 82%

Training programmes for directors and others are of high quality

received, a less confrontational approach by ASIC to its inspection work. Not surprisingly, the change led to criticism in parliament and concerns in the market that ASIC had downgraded its commitment to audit inspections.

The numbers suggest that the critics may have a point. In the 12 months to 30 June 2022, for example, ASIC reviewed 146 key audit areas in 45 audit files from 14 accounting firms. The audits covered both listed and large unlisted companies. Only 18 of the files had no negative findings, while the percentage of negative findings for all the audit firms increased year-on-year by four percentage points to 36% (ie, 52 of the 146 key audit areas). Negative findings in audits by the six largest firms actually increased nine percentage points and, as it had done in previous years, ASIC published individual reports on PWC, KPMG, Deloitte, EY, BDO and Grant Thornton.

The first report published under the new integrated system, the “Annual financial reporting and audit surveillance report 2022-23”, covered the 12 months to June 2023 and was released in October of that year. In all ASIC reviewed 180 financial reports of listed and large unlisted entities that led it to examine 15 related audit files - a drop of two-thirds from the previous year. The regulator gave its audit findings to the directors of 11 companies and nine audit firms to “encourage constructive discussions” between them on improving the quality of the financial report and audit. The full report, although quite extensive on issues in financial reporting, contains a fraction of the information compared to previous years on the audit examination process. No individual reports on the big six firms were published.

ASIC said that an integrated approach would help it to focus more effectively on the entire financial reporting chain and provide more pertinent information to stakeholders. That is to say, examining audit files where there has been a change to financial information or where the regulator has concerns about material misstatement should prove more useful. “This is because there is a strong link between problems in a financial report and problems with the quality of audit work undertaken on the financial report”, said ASIC.

It is understood that budgetary factors may have been one consideration for the new approach. Some market observers believe ASIC made the change because its previous approach did not seem to be producing improvements in audit quality, leading to doubts as to whether there was something wrong with ASIC's inspection process. Indeed, ASIC went on record in mid-April 2024 to the Australian Financial Review saying the earlier programme was “no longer fit for purpose” and not effective. Yet, it is hard to see how the new programme will be more effective in raising audit quality given its narrow focus and the lack of public information on results. We cut our score on the related question (Q6.9) by a point to 4 out of 5.

7. Civil society & media

Australia retained first place on a slightly higher score of 82%. Notably, its lead over our second-ranked market, India, has extended from two points to eight points following the latter's drop in score due to concerns about reduced media freedoms and political pressure on civil society. Japan improved one place to third on an increased score of 66%, while Singapore's score of 64% stayed the same and it fell one rank.

Australia is known for having a robust civil society and media environment, something that plays out in the corporate governance field as well. High-quality training programmes are provided for directors, company secretaries, accountants,

AICD trained more than 14,600 people in FY23

GI actively trains company secretaries and other CG professionals

Professional bodies are increasingly ESG-focussed

CPA Australia took early note of the links between climate-related risks and financial reporting

lawyers, investors, investor relations personnel and others by a range of business and professional institutes and associations. Most of these organisations are well-established, self-funding, and appropriately staffed. Of the nine questions in this section, Australia's score rose slightly in two areas but otherwise stayed the same. These areas included the contribution of business associations to promoting CG and the skills shown by the media in reporting governance issues.

Training

In the field of director training, the Australian Institute of Corporate Directors (AICD) takes the lead and offers regular courses throughout the year and around the country. It tailors its programmes for different experience levels from beginner to advanced, runs short intensive courses as well as multi-day events, and provides online and physical options. AICD offers specialist courses as well on topical issues like cybersecurity, diversity, ethics, health and community, big data, and sustainability. It has also developed a diversity mentoring programme that connects experienced women leaders with ASX 200 chairs and directors. The Chair's Mentoring Programme starts its eighth cycle in mid-2024. For fiscal year 2023 (to June 30), the institute trained more than 14,600 people - a 15% increase on the year before.

For company secretaries, the equivalent body is the Governance Institute of Australia (GI), formerly called the Chartered Institute of Secretaries. It provides a diverse range of courses for its members too, from the basics of being a company secretary to more specialised governance skills (eg, being a director, the governance of procurement), and a stream for more advanced professionals called "postgraduate study". Indeed, GI positions itself as an educator of all governance professionals, not merely company secretaries. Almost 7,500 people took its short courses in fiscal 2023, while around 1,000 study for its certificate course each year that leads to GI membership. Around 8,000 to 9,000 people attend its conferences and fora around the country each year, with another 3,000+ joining its networking gatherings.

ESG focus

An ongoing trend in the educational work of professional associations in Australia is the growing focus on ESG and sustainability. This is a particularly broad topic area and includes not only traditional issues such as gender diversity on boards and in management, labour safety standards, a "just energy transition", and concerns about biodiversity and climate change, it also focusses on concerns around modern slavery and human trafficking, protection and enhancement of indigenous rights, and the circular economy. A read through of any of the annual responsible investment reports published by asset owners will give a feel for the challenging task at hand.

In addition to AICD and GI, another professional body trying to give its members the tools to navigate these new waters is CPA Australia, one of two major accounting bodies (the other being CAANZ). It provides training on climate change and environmental policy, the future of corporate reporting, modern slavery and human rights. It has an ESG Centre of Excellence. And in October 2021, it was an early mover on raising awareness of the links between climate-related risks and financial reporting, following this up in January 2023 with a publication called "climate risks and its impacts on the audit of financial statements".

AICD and BCA are on both sides of the CG debate

Business chambers backed the rollback of certain shareholder protection measures during Covid

Mainstream business and financial reporting is dominated by two papers

Specialist online publications have sprung up

Scores increased for media skill, but not depth and impartiality

Business associations

Australia's leading business chambers, such as the Business Council of Australia (BCA) and AICD, tend to be on both sides of the argument when it comes to corporate governance and ESG. They are enthusiastic supporters of director training, gender diversity on boards, and governance improvements in general. They get less excited about such things as the country's open class action regime and overly strong shareholder rights.

Due to the above issues and the clear business-chamber support for the anti-shareholder measures introduced during Covid by the previous Liberal National Coalition, our score in CG Watch 2020 on the contribution of business chambers to promoting improved CG was a fairly restrained 2 out of 5. We increased it by half a point this time to give recognition to the work of the investment association, the FSC. Although an investor association, it is included in the question related to business groups (Q7.4) because it is an established industry trade body. It is quite different in that sense from newer investor entities, such as ACSI, which were formed with a pro-governance mandate and to play an advocacy role.

Media

The Australian business and financial print media are dominated by two main media outlets: The Australian newspaper, controlled by the Murdoch family, and the Australian Financial Review (AFR), is owned by Fairfax Media, a subsidiary of ASX listed Nine Entertainment, a media and entertainment group. Both report on all the main CG stories, whether of a policy or regulatory nature, noted ASIC enforcement wins and losses, corporate scandals, parliamentary oversight stoushes, and debates around shareholder rights, sustainability and climate change. Few would likely disagree that the AFR takes a more balanced approach to its reporting than The Australian, which has a notable right-wing leaning (although it does show more balance in its business reporting). At the state and city level, there are also major newspapers that cover CG and capital markets, such as the Sydney Morning Herald, The Age in Melbourne, and the Courier Mail in Brisbane.

As in most countries, the fall of mainstream media readership and the rise of online publishing has created space for specialist publications covering the economy and share market. A useful source is The Eureka Report, written by veteran finance journalist Alan Kohler and contributing writers including the well-known maverick journalist turned shareholder activist, Stephen Mayne. Mayne keeps a close eye on the governance landscape in Australia, tracking and attending AGMs, capital raisings, M&A activity and other pertinent CG news. One of his favourite targets is what he calls "dodgy capital raisings".

We slightly increased our score for media skills by half a point to 3.5 out of 5 in recognition that mainstream media coverage of major CG policy, regulatory and enforcement issues is generally accurate. We did not increase our score for the depth and impartiality of coverage, however, because while the mainstream media faithfully reports what regulators announce, they rarely go beyond what is in press releases. We do not see much deep investigative reporting, and no one seems to read the ASIC annual reports. Meanwhile, we find The Australian's coverage of certain topics, especially corruption, can be quite biased.

What to avoid

Recommendations for future areas of CG reform

Actions companies could take to enhance CG practice and disclosure immediately

Downgrade watchlist

Factors that could force Australia’s market score to fall in 2025:

- Any signs of underperformance by the new NACC. Corruption experts are disappointed at its inability to hold public hearings, while critics say it is only dealing with small-fry cases.
- Any re-emergence of misconduct in the banking and financial sector.
- A material decline in ASIC’s budget.
- No improvement in CG reporting by large corporates.
- Any delays in the roll out of new climate-related financial reporting.
- No expansion of ASIC’s audit-file review programme.

Next steps

Our recommendations for the next stage of CG reform in Australia include the following ideas. Our aim here is to suggest action points that are important, quite urgent, and capable of being implemented over the short to medium term:

1. **ASIC resources:** It would be helpful if the Financial Regulator Assessment Authority (FRAA) undertook a review of ASIC’s budget and staffing resources. The regulator appears thinly stretched over its wide remit.
2. **Audit inspections:** The significant narrowing of the audit inspection programme does not appear to be sustainable. Either ASIC should be given proper powers to regulate audit firms in addition to individual CPAs, and the requisite resources to undertake firm-level as well as engagement-file inspections (as is standard practice in other developed markets), or a new independent audit oversight board should be set up.
3. **ASX enforcement disclosure:** We repeat the recommendation made in previous editions of CG Watch for a central “enforcement” page giving access to all the letters that ASX Compliance sends to listed companies.
4. **Investor voting to company level:** Explanations from institutional investors, especially asset owners, of their reasons for voting against management resolutions in major cases (eg, large companies or on high-risk or contentious issues) would be welcome in annual voting reports.
5. **Conflicts of interest:** Greater elaboration of organisational conflicts of interest, especially how they may impact voting behaviour, would be helpful in the “conflicts management policies” of institutional investors.

Company checklist

Actions that Australian companies could take over the short to medium term to enhance their governance practices and disclosure include the following:

1. **Board governance reporting:** Ensure reporting on board and board committee activities is meaningful. It should contain sufficient narrative for a reasonable investor to understand what the board and its committees have done during the year (not just the remuneration committee), how independent directors have contributed, and what the key points of discussion and decisions have been. Disclosure should be specific to the company, not generic, and focus on the year in question. There should also be meaningful narrative on the relationship between internal audit and the audit committee.

2. **Board diversity policy:** (For companies not already doing so) Ensure any policy is meaningful, not generic, and contains sensible targets, timelines and action plans. Link targets to the strategic needs of the company. Disclose this information in substantive terms to shareholders.
3. **Director training:** (For companies not already doing so) Provide detail on courses offered, the rationale for the training, who attended, whether this was done as part of a site visit or at HQ, and the content of induction programmes.
4. **Board evaluations:** In addition to the processes undertaken to evaluate the board, including the use of third-party consultants, provide some narrative on the findings of the evaluation, in qualitative terms, and outline action points for improvement.
5. **Sustainability governance:** With the advent of mandatory climate-related financial reporting, consider the extent to which the board and management have the requisite skills to respectively oversee and implement this process. What new training is required? Does the board's governance structure need to evolve to take on additional oversight of such reporting? Does your auditor have the necessary skills to carry out first limited and later reasonable assurance?

Editor note

In the interests of transparency, we wish to inform readers that the principal author of this report is personally acquainted with Joseph Longo, current chairman of ASIC. Longo was not interviewed for this report.



Click to rate this research



Charlie Chow
 Research Analyst, Sustain Asia Research, CLSA
 charlie.chow@clsa.com
 +852 2600 7773



Seungjoo Ro
 Head of Sustain Asia Research, CLSA
 seungjoo.ro@clsa.com
 +852 2600 7587

Australia CG outperforms Asia in independence, responsibility and discipline pillars

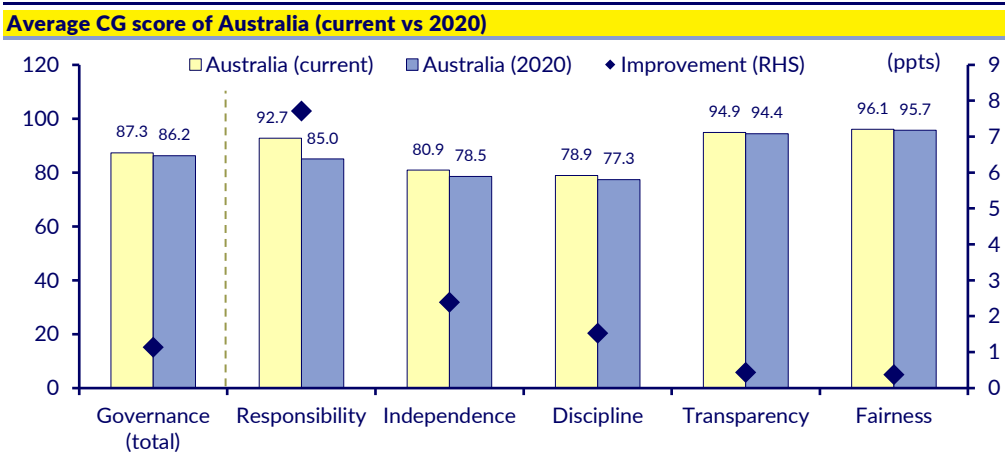
CLSA bottom up scoring shows CG improvement

CLSA's updated bottom-up CG scores indicate a 1.1ppt improvement in Australian corporates' governance versus 2020, driven by the responsibility and independence pillars. Relative to the Asia average, Australia's average CG score is higher by 15.9ppts as analysts are more confident in Australian companies' chairman independence, timeliness in reporting and shareholder interest alignment. Examining our CG scores by key thematic characteristics (gender diversity, founder versus manager-run and market cap) shows little difference in overall CG score though CLSA analysts are generally more concern about chairman independence for founder-run companies. We provide the top CG scorers and improvers within CLSA Australia coverage.

Responsibility and Independence pillars drive improvement

CLSA's updated bottom-up CG scores indicate a 1.1ppt improvement in Australia corporates' governance versus 2020, driven by the responsibility and independence pillars. The slight improvement was driven by fewer board members or senior executives with a criminal conviction (CG18) in CLSA's Australia coverage in 2024 versus in 2020 on average.

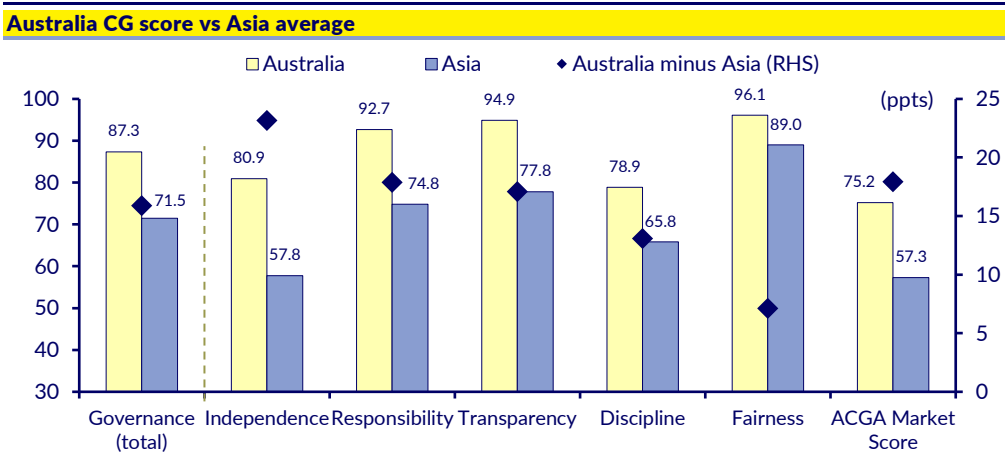
Figure 15



Source: CLSA

Relative to the Asia average, Australia's average CG score is higher by 15.9ppts, mainly driven by independence, responsibility and transparency pillars.

Figure 16



Source: CLSA



Australia companies are on average better in terms of chairman's independence

In particular, CLSA analysts think Australian companies are, on average, doing better in terms of chairman's independence (CG12), timeliness in releasing audited full-year results (CG07), voting practices and disclosures (CG16) as well as on freedom from government interference that could hurt shareholder returns (CG05). Our analysts are also more confident in terms of the alignment of primary financial interest of controlling shareholders with ordinary shareholders (CG20).

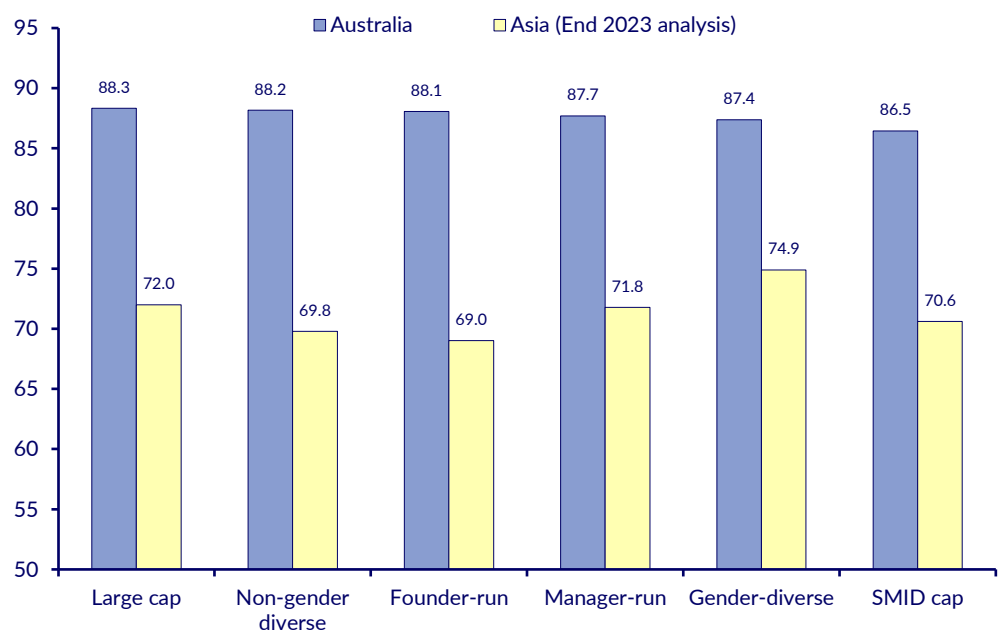
CG scores by thematic categories

What specific corporate characteristics contribute to better corporate governance in Australia? In this edition of CG Watch, we cross-examine CG scores by key thematic characteristics of ownership. We specifically look at the issue from three different angles: Founder versus manager-run businesses; 2) gender diverse versus less gender diverse businesses; and 3) large versus small companies as measured by market cap. Overall, unlike our analysis conducted across our overall Asia coverage, there is little difference among the CG score for these thematic characteristics.

There is little difference among the CG score for thematic characteristics

Figure 17

CG Score (Asia coverage) by thematic categories



Source: CLSA

More concerns about chairman's independence in founder-run companies

Some argue that founder-run companies could empower management to carry out a longer-term vision and with greater incentive for the company to succeed sustainably, but how would this affect corporate governance?

We define founder-run companies as those with founders undertaking CEO positions, which we sourced from Bloomberg. Overall, there isn't much difference in their CG scores. Founder-run companies outperform in the discipline pillar but underperform in the independence pillar.





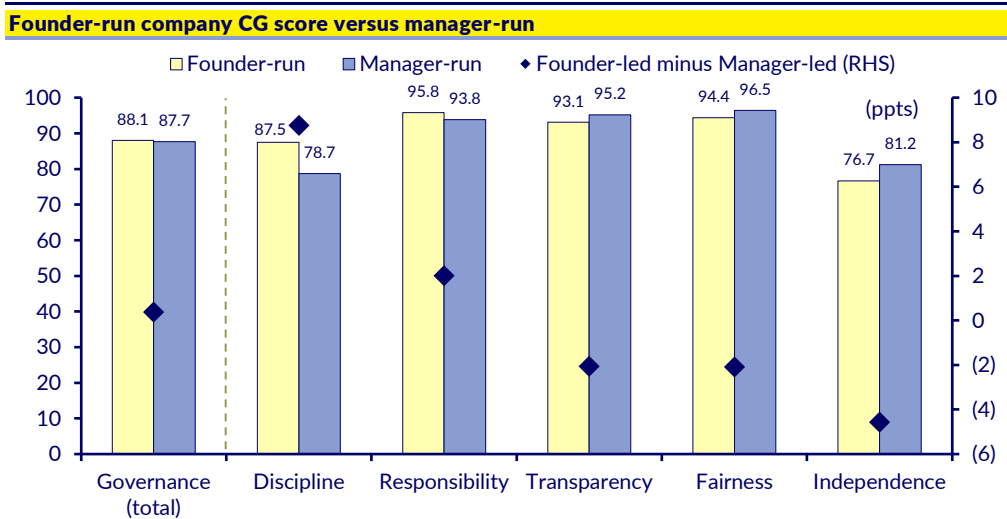
Founder-run firms outperform in discipline pillar but underperform in independence pillar

Higher percentage of founder-led firm have controversies over fairness and transparency of share trading by board members

Large caps slightly outperform in responsibility and transparency pillar

More confident in large cap's management capital allocation decision

Figure 18



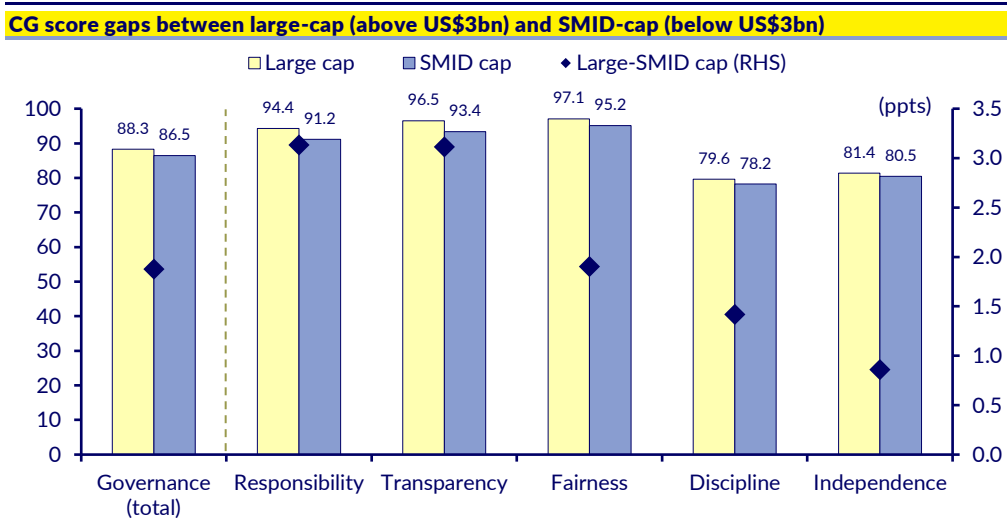
Note: Founder-run=8. Manager-run=137. Source: CLSA

In particular, for founder-run companies, CLSA analysts think fewer have issued capital in the past five years that was not in shareholders' best interest (CG03). However, our analysts are also more concerned about founder-led companies' chairman independence (CG12). They also see on average a higher percentage of founder-led companies embroiled in controversies over the fairness and transparency of share trading by board members (CG23).

More confident in large caps' capital allocation decisions

We also compare the CG score of large caps (>=US\$3bn) versus SMID caps (<US\$3bn). Large caps slightly outperform on the responsibility and transparency pillars.

Figure 19



Note: SMID cap = 82, large cap = 72. Source: CLSA

In particular, CLSA analysts are on average more confident in large caps' management capital allocation decisions (CG02) and the higher proportion of large caps to have disclosed reasonable return on capital targets (CG06).

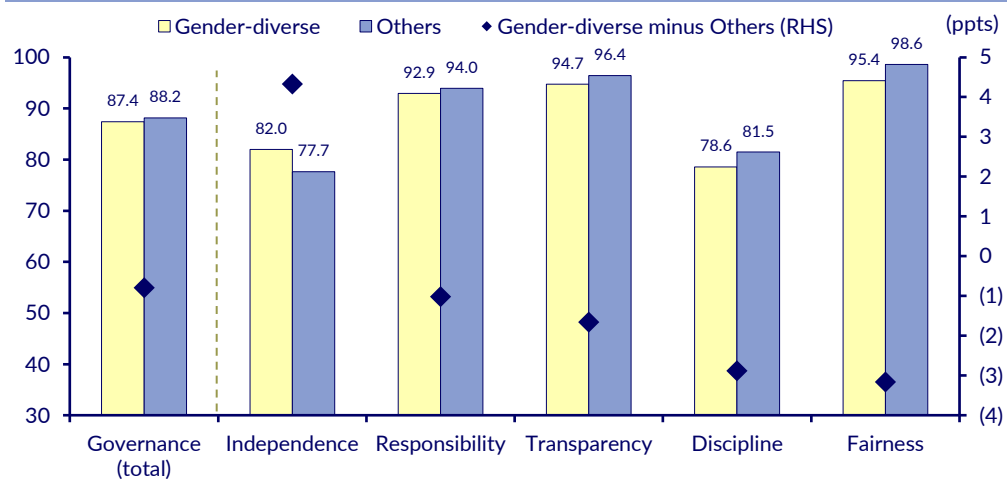


Gender-diverse firms tend to disclose reasonable return on capital targets

Companies with a fair share of females in management or on the board would tick the box for diversity, but do they differ in CG performance? We define gender-diverse companies as those that meet one of these three criteria: 1) the CEO is female, 2) women account for more than 30% of board members or 3) women account for more than 30% of the management team. Among the 149 companies for which we can find data via Bloomberg, 117 (79%) met one of these criteria. Overall, there is minimal difference between the average CG score of gender-diverse companies than the remainder. Examining the businesses by our CG framework, gender diverse companies outperform in terms of independence but underperform on the fairness and discipline pillars.

Figure 20

Gender diverse companies' CG score vs the rest



Note: Gender diverse companies n=117. Source: CLSA

In particular, apart from showing effort to bring diverse talent and backgrounds to the board (CG17), CLSA analysts observed a higher proportion of gender-diverse companies disclosing reasonable return on capital targets (CG06) and have more confidence in chair independence for gender-diverse companies (CG12).

None of our coverage meet the SOE criteria

Ownership and political intervention in corporate decision-making could affect corporate governance. We examined the market CG scores for government ownership, which we define as a 50%-or-greater shareholding by government entities. However, none of our Australia coverage meet this criteria.

Top scorers and improvers

Using our proprietary CG scores, we screened for the market's top scorers and improvers, reflecting companies that have shown a willingness to improve corporate governance. Financial services providers Macquarie and BEN topped the list of improvers, while range of sectors represented in the top scorer rankings was wider, with data-centre operator NEXTDC, enterprise software business TechOne and intellectual property management company IPH forming the top three.

Gender diverse companies outperform in independence but underperform in fairness and discipline

None of CLSA Australia coverage meet the criteria of a government having 50% or more of shares outstanding



Many top CG improvers are financial companies

Figure 21

Top CG improvers						
Ticker	Company name	Sector	Analyst	CG Score	CG 2020	Improvement
MQG AU	Macquarie	Financial services	Ed Henning	91.5	78.3	13.2
BEN AU	Bendigo and Adelaide Bank	Financial services	Ed Henning	91.5	79.3	12.2
CPU AU	Computershare	Technology	Ed Henning	91.5	81.3	10.2

Source: CLSA

Macquarie (MQG AU) - Ed Henning

Macquarie management and board have frequent contact with staff at all levels and across regions. The management's long tenure, coupled with linked long-term incentive structures and strong board oversight, enhance the company's CG score. Management of legal and regulatory environments is crucial for Macquarie, particularly due to the capital restrictions imposed by APRA in response to risk management concerns a few years ago. Employees are required to adhere to high behavioural standards which are established and regularly reviewed.

Bendigo and Adelaide Bank (BEN AU) - Ed Henning

Bendigo and Adelaide Bank maintains high corporate governance standards through its framework, policies, and practices, ensuring optimal outcomes for stakeholders. This is supported by a diverse and independent board with strong oversight and long-serving management with linked long-term incentive structures. The company has also reduced business complexity by reducing the number of brands under the bank and number of dual banking systems contributing to more effective governance.

Computershare (CPU AU) - Ed Henning

Computershare maintains a strong governance culture, effectively managing and controlling ESG risks. The diverse and independent board holds ultimate responsibility for ESG matters, undergoing regular reviews and performance updates. The governance structure is communicated to employees at all levels of the business to ensure understanding. Computershare has management with short-term variable incentives as well as long-term incentive structures tied to ESG-related targets.

Top CG scorers span various industries

Figure 22

Top CG scorer				
Ticker	Company Name	Sector	Analyst	CG Score
NXT AU	NEXTDC	Telecoms	John Marrin	97.5
TNE AU	TechOne	Technology	John Marrin	97.5
IPH AU	IPH	Conglomerates	Richard Amland	94.5
AMC AU	Amcor	Materials	Daniel Kang	94.5
NWH AU	NRW	Capital goods	Richard Amland	94.5
XRO AU	Xero	Technology	Nick Basile	94.5
ELD AU	Elders Ltd	Consumer	Richard Barwick, CFA	94.5

Source: CLSA

**NEXTDC (NXT AU) - John Marrin**

NEXTDC outperforms market and sector averages due to a strong alignment of incentives, emphasis on transparency and risk management, and commitment to sustainability. The board is independent and diverse. The company has provided investors with specific KPIs regarding its short and long-term incentives programmes, which are based on underlying Ebitda and revenue guidance and project delivery. NEXTDC excels in investor communications, maintaining transparency and clarity. Its investor relations team collaborates with leadership, providing investors with extensive knowledge about the company and the industry.

TechOne (TNE AU) - John Marrin

TechnologyOne has a high score in corporate governance, prioritising long-term shareholder returns over short-term profits. This is evident through its strategic investments in R&D and successful transition from license fees to a SaaS revenue model. We believe the company prioritises sustainable returns by focusing on government and healthcare customer verticals and adopting a cautious approach to overseas expansion. The board is independent and diverse.

IPH (IPH AU) - Richard Amland

The board and management have a clear strategy of global expansion. Notwithstanding some challenging industry trends, the company continues to deliver strong cash-backed earnings and utilises its access to capital to expand its competitive advantage.

Amcor (AMC AU) - Daniel Kang

Amcor has best-in-class corporate governance policies, consistently acting in the best interests of shareholders and promoting board diversity. With over 30 granular policies across different geographies and business lines, the company remains transparent, providing timely financial reports and access to the corporate leadership team. Amcor promotes prompt reporting of unethical practices via its accessible whistle-blower service, showcasing strong corporate governance. It prioritises understanding its cost of capital for effective capital allocation. Amcor's capital structure remains healthy, with no issuance of capital that was not in the best interests of shareholders. The company's corporate governance stands out from its competitors due to its transparency, consistency and effectiveness.

NRW (NWH AU) - Richard Amland

The board and management have a strong understanding of the company's cost of capital, making several acquisitions over the past 5-10 years. Through these acquisitions, the company has grown several times in size, improved its earnings profile and generates ROE of over 15%.

Xero (XRO AU) - Nick Basile

In the recent years, the board has recently intervened for shareholders, overseeing a change in senior management (CEO) to prioritise company profitability.

Elders Ltd (ELD AU) - Richard Barwick

Elders management, led by CEO/Managing Director Mark Allison since 2009, has a clearly defined core business and enjoys high respect among investors. The company's board of directors comprises a diverse mix of skills and experience, ensuring effective oversight and decision-making. Both the CEO and CFO regularly communicate directly with investors through conference calls and face-to-face meetings.

Korea, Taiwan along with India all move up one position from their previous rankings

Appendix 1: Overall market rankings and scores

CG Watch 2023 market rankings and scores (%)

Market	Previous ranking	2023 (%)	2020 (%)	Change vs 2020 (ppt)
1. Australia	1	75.2	74.7	+0.5
2. Japan	=5	64.6	59.3	+5.3
=3. Singapore	=2	62.9	63.2	-0.3
=3. Taiwan	4	62.8	62.2	+0.6
5. Malaysia	=5	61.5	59.5	+2.0
=6. Hong Kong	=2	59.3	63.5	-4.2
=6. India	7	59.4	58.2	+1.2
8. Korea	9	57.1	52.9	+4.2
9. Thailand	8	53.9	56.6	-2.7
10. China	10	43.7	43.0	+0.7
11. Philippines	11	37.6	39.0	-1.4
12. Indonesia	12	35.7	33.6	+2.1

Note: Total market scores are not an average of the seven category percentage scores. They are an aggregate of the exact scores for each of the 108 questions in the survey, converted to a percentage. Total points for each market out of 540 were: Australia (402.5); Japan (349); Singapore (339.5); Taiwan (339); Malaysia (332); Hong Kong (320); India (321); Korea (308.5); Thailand (291); China (236); Philippines (203); and Indonesia (193). The denominator for Australia was 535, not 540, as one question on SOEs does not apply. Source: ACGA

Market scores by category

Market scores by category: 2023 vs 2020

(%)	AU	CH	HK	IN	ID	JP	KR	MY	PH	SG	TW	TH	
1. Government & Public Governance	2023	71	32	55	45	32	61	52	37	29	56	67	35
	2020	68	29	65	45	31	60	60	32	28	60	68	35
2. Regulators	2023	66	56	62	53	29	65	57	58	25	63	65	50
	2020	65	52	69	53	24	62	53	53	27	63	66	51
- Funding, capacity, CG reform	2023	61	44	54	52	35	67	51	56	25	56	61	45
	2020	62	42	62	51	31	58	45	53	27	56	62	47
- Enforcement	2023	72	69	72	54	22	63	64	60	24	71	70	54
	2020	68	64	76	56	16	66	62	54	26	70	70	56
3. CG Rules	2023	83	63	75	73	40	67	65	79	48	77	71	75
	2020	82	63	75	69	35	58	56	77	45	75	66	76
4. Listed Companies	2023	76	39	53	60	36	49	49	66	48	58	55	51
	2020	79	51	59	65	38	44	48	66	55	60	63	60
5. Investors	2023	69	22	33	46	20	65	56	42	25	39	40	35
	2020	66	18	34	44	19	60	44	43	21	39	38	38
6. Auditors & Audit Regulators	2023	82	49	82	69	65	83	73	92	62	83	83	79
	2020	86	43	81	54	59	77	70	86	60	81	76	76
7. Civil Society & Media	2023	82	26	50	74	44	66	43	53	33	64	62	46
	2020	80	22	60	78	38	62	36	44	36	64	62	49

Source: ACGA

Appendix 2: ACGA market-ranking survey

1. Government & public governance

		AU	CH	HK	IN	ID	JP	KR	ML	PH	SG	TW	TH	
1.1	To what extent does the current government administration (executive branch) have a clear and credible long-term strategy for promoting corporate governance reform to support capital-market and business-sector development?	2023	2.5	2	0	1	1	4	2	0	2	2	4.5	1
		2020	2	1	1	2	1	3	4	0	2	2	4	1
1.2	To what extent does the current government provide consistent political support for the policy and enforcement work of financial regulators (ie, securities commissions and stock exchanges)?	2023	2.5	2	2	1	1	3.5	1	1.5	1	2.5	4	2
		2020	2	2	3	2	1	3	4	1	1	3	4	2
1.3	To what extent has the central bank or equivalent financial authority set effective guidance for the governance of banks?	2023	3.5	2	3.5	3	3	3	3	4	3	4	3	2
		2020	3	2	4	3	2	2	3	4	3	4	3	2
1.4	Is there a coherent structure to the regulatory system governing the securities market, including the IPO regime? (ie, one without clear conflicts of interest involving either the securities commission or the stock exchange; without fragmentation and disagreement between different regulatory authorities; and where there is a clearly definable securities commission or bureau taking the lead on enforcement)	2023	4	3	3	3	2	4	3	3	3	4	4	4
		2020	4	3	3	3	2	4	3	2	3	4	4	4
1.5	Is the securities commission formally and practically autonomous of government? (ie, not part of the ministry of finance; nor has the minister of finance or another senior official as chairman; nor unduly influenced by government)	2023	3	0	2.5	2	2	2	1	1	1	1	1	2
		2020	3	0	3	2	2	2	1	1	1	1	2	2
1.6	Is the securities commission funded independently (eg, a levy on securities transactions or capital market participants) and not dependent on an annual budgetary allocation from government?	2023	3	0	4.5	3	4	2	4.5	5	1	0	4.5	5
		2020	3	0	5	4	4	2	5	5	1	0	5	5
1.7	Is there an independent commission against corruption (or a group of agencies) with broad powers to tackle public- and private-sector corruption?	2023	3.5	0	3	1	2	2	3	1	0	3	2	0
		2020	3	0	3	1	2	2	3	1	0	4	2	0
1.8	How far advanced is the government in tackling public- and private-sector corruption?	2023	3	1	3	1	1	2.5	2	1	1	3	2	0
		2020	3	1	3	1	1	3	2	0	1	3	2	0
1.9	To what extent has the government sought to achieve and maintain high standards of civil service ethics and accountability?	2023	4	1	2.5	2	1	4	5	1	1	3	4	1
		2020	4	1	3	2	1	4	5	1	1	3	4	1
1.10	To what extent is the judiciary able to act independently of government, and is also perceived as unbiased and clean in relation to company and securities cases?	2023	5	1	4	5	1	3	2	1	1	4	4	0
		2020	5	1	5	2	1	4	2	1	1	5	4	0
1.11	To what extent is the judiciary adequately resourced and skilled in handling company law and securities cases?	2023	5	2.5	4.5	3	1	3.5	3	2.5	2	5	3.5	2
		2020	5	2	5	3	1	4	3	3	2	5	3	2
1.12	Does the legal system allow minority shareholders and other stakeholders fair and efficient access to courts to settle disputes? (ie, in terms of the cost of going to court and the range of legal remedies available).	2023	3.5	3	0.5	2	1	3	2	1	2	1	3	2
		2020	4	3	1	2	1	3	2	1	1	1	3	2
1.13	Does the government follow best practice standards as regards listed SOE governance? (ie, it requires them to follow the same governance standards as private-sector issuers, refrains from interfering in their governance, and so on)	2023	na	3	3	2	1	3	2	2	1	4	4	2
		2020	na	3	3	2	1	3	2	1	1	4	4	2
2023 category score (out of 65)			42.5	20.5	36.0	29.0	21.0	39.5	33.5	24.0	19.0	36.5	43.5	23.0
Category percentage (rounded)			71	32	55	45	32	61	52	37	29	56	67	35
Rank			1	10	5	7	11	3	6	8	12	4	2	9

Source: ACGA

2. Regulators

Funding, Capacity Building, Regulatory Reform		AU	CH	HK	IN	ID	JP	KR	ML	PH	SG	TW	TH	
2.1	Is the securities commission sufficiently resourced in terms of funding and skilled staff to carry out its regulatory objectives?	2023	4	1	4	3	2	4	4	4	1	2.5	3	3.5
		2020	4	1	5	3	2	4	4	3	1	2	4	4
2.2	To what extent has the securities commission been investing in surveillance, investigation and enforcement capacity and technology over the past two years?	2023	4	4	4	4	2	3	3.5	3	0	2.5	2.5	3.5
		2020	4	4	4	3	2	3	3	3	0	2	3	4
2.3	Is the stock exchange (or exchanges) sufficiently resourced in terms of funding and skilled staff to carry out enforcement of the listing rules?	2023	2.5	1	3	2	2	4	1	3.5	2	4	3	3
		2020	3	1	3	2	2	4	1	3	2	4	3	3
2.4	To what extent has the stock exchange been investing in surveillance, investigation and enforcement capacity and technology over the past two years?	2023	2	1	1	2	1	2.5	1	2	1	3	2.5	2
		2020	1	1	1	2	1	2	1	3	1	3	3	2
2.5	Has the government and/or securities commission been modernising legislation over the past two years to improve corporate governance and address relevant local CG problems?	2023	3	1.5	1	4	2	4.5	4	1	3	3	4	2
		2020	3	1	2	3	2	3	4	1	4	3	5	2
2.6	Has the stock exchange been modernising its listing rules and best-practice codes over the past two years to improve corporate governance?	2023	2	3.5	2.5	1	0	4	3.5	4	2	3	4	2
		2020	3	2	4	1	0	3	2	3	2	4	5	2
2.7	Do financial regulators (securities commissions and stock exchanges) undertake public and written market consultations prior to major rule changes?	2023	5	1	4	0.5	1	3.5	1	3.5	1	3	2	2
		2020	5	1	5	2	1	2	1	3	1	3	2	2
2.8	Do the securities commission and stock exchange have informative websites with English translations of all key laws, rules and regulations easily accessible?	2023	5	4	5	5	2	3	3	5	3	5	3.5	5
		2020	5	5	5	5	1	4	3	5	3	5	3	5
2.9	Does the stock exchange provide an efficient, extensive and historical online database of issuer announcements, notices, circulars and reports archived for at least 15 years and in English?	2023	5	4	5	2	3	2.5	2.5	5	1	4	3	2
		2020	5	4	5	2	3	1	2	5	1	4	1	2
2.10	Has the stock exchange or another organisation developed an open electronic voting platform ("straight through processing") for investors?	2023	0	3	0	5	4	5	4.5	0	0	0	5	0
		2020	0	3	0	5	3	5	4	0	0	0	5	0
2.11	To what extent does the current IPO listing regime (including rules, guidance, support of investment bank sponsors) prepare companies to implement an effective and meaningful corporate governance system prior to listing?	2023	1	0	0	0	0	1	0	0	0	1	1	0
		2020	1	0	0	0	0	1	0	0	0	1	0	0
2023 sub-category score (out of 55)		33.5	24.0	29.5	28.5	19.0	37.0	28.0	31.0	14.0	31.0	33.5	25.0	
Percentage (rounded)		61	44	54	52	35	67	51	56	25	56	61	45	
Rank		2	10	6	7	11	1	8	4	12	4	2	9	
Enforcement														
2.12	Do financial regulators in your market have a reputation for vigorously and consistently enforcing securities laws and regulations?	2023	3	3	3	2	1	2.5	3	2.5	1	2.5	3.5	2
		2020	3	2	3	2	1	2	3	2	1	3	3	2
2.13	Have their efforts improved and evolved over the past two years?	2023	4.5	4	3	3	1	3	4	2	1	4	4	3
		2020	4	3	3	3	1	3	4	1	1	4	3	3
2.14	Does the securities commission have robust powers of surveillance, investigation, sanction, and compensation?	2023	5	4	5	5	1	3	4	5	2	5	5	4
		2020	5	4	5	5	1	3	4	5	3	5	5	5
2.15	Have the government and its law enforcement agencies had a successful track record prosecuting all forms of market misconduct over the past two years, including insider trading, market manipulation, fraud, embezzlement, and false disclosure?	2023	4	4	4	2	1	3	3	2	1	4	3	3
		2020	3	4	5	2	0	3	3	2	1	4	3	3
2.16	Does the securities commission disclose multi-year data on its enforcement activities, with explanations as to what the data means and detailed announcements on individual cases?	2023	5	4	5	4	1	3	2	5	0	3	3	3
		2020	5	4	5	4	0	4	2	3	0	3	4	3
2.17	Does the stock exchange (or related agencies) have an effective range of powers to sanction breaches of the listing rules?	2023	3.5	3	3	3	3	5	4.5	4	3	4	4.5	3
		2020	3	3	3	3	3	5	4	4	3	4	4	3
2.18	Has the stock exchange (or related agencies) had a successful track record enforcing breaches of the listing rules over the past two years?	2023	1.5	3	3	2	1	2.5	2	3	1	3	3	2
		2020	2	3	3	3	1	3	2	3	1	3	3	2
2.19	Does the stock exchange disclose detailed data on and explanations of its enforcement activities?	2023	2	4	5	1	1	3	3	4	1	3	2	2
		2020	2	4	5	1	1	3	3	3	1	2	3	2
2.20	Have the government and regulatory authorities taken steps to minimise and control conflicts of interests between the commercial and regulatory functions of the stock exchange?	2023	4	2	1	2	1	3	2	1.5	1	3	3	3
		2020	3	2	2	2	0	3	2	2	1	3	3	3
2.21	Do financial regulators receive efficient and committed support from other national enforcement agencies and institutions (ie, the police, attorney general, courts)?	2023	3.5	3.5	4	3	0	3.5	4.5	1	1	4	4	2
		2020	4	3	4	3	0	4	4	2	1	4	4	2
2023 sub-category score (out of 50)		36.0	34.5	36.0	27.0	11.0	31.5	32.0	30.0	12.0	35.5	35.0	27.0	
Percentage (rounded)		72	69	72	54	22	63	64	60	24	71	70	54	
Rank		1	5	1	9	12	7	6	8	11	3	4	9	
2023 category score (out of 105)		69.5	58.5	65.5	55.5	30.0	68.5	60.0	61.0	26.0	66.5	68.5	52.0	
Category percentage (rounded)		66	56	62	53	29	65	57	58	25	63	65	50	
Rank		1	8	5	9	11	2	7	6	12	4	2	10	

Source: ACGA

3. CG rules

		AU	CH	HK	IN	ID	JP	KR	ML	PH	SG	TW	TH
3.1 Do corporate and financial reporting standards (ie, rules) compare favourably against international standards? (ie, on frequency and timeliness of reporting; robust continuous disclosure; detailed MD&A; sufficient narrative and notes to the P&L, balance sheet, cashflow; and so on)	2023	5	5	5	4	2	4.5	5	4	3	5	4.5	5
	2020	5	4	5	4	2	4	4	4	3	5	4	5
3.2 Do CG reporting standards compare favourably against international standards? (ie, requirements for a Report of the Directors; CG statements or reports; board and committee disclosure; director biographies; internal controls and audit; discussion of risk factors)	2023	4	2	4	4	2	4	3.5	4	3	3	3	5
	2020	5	2	4	4	2	3	3	4	3	3	3	5
3.3 Do ESG/sustainability reporting standards compare favourably against international standards? (ie, stock exchange ESG reporting rules; a sustainability section in the annual report; a separate GRI or TCFD Report; a company law provision that directors have a responsibility to report on environmental and social/stakeholder matters)	2023	4	2	4	4	1	4	3	4	2	5	5	5
	2020	4	2	4	2	1	3	1	4	1	5	5	5
3.4 Is quarterly reporting mandatory, is it consolidated, and does it require P&L, Balance Sheet, and Cashflow statements with an explanation of the numbers?	2023	1	4	1	3	4	5	4	5	4	1	4	5
	2020	1	4	1	3	4	5	4	5	4	1	4	5
3.5 Is timely disclosure of "substantial ownership" required (ie, when investors acquire a 5% stake or sell down below 5%) as well as "creeping" increases/decreases of one percentage point? Disclosure of any change should be within 3 business days.	2023	5	5	5	4	4.5	4	4	5	3	5	2	2
	2020	5	5	5	4	4	4	4	4	3	5	1	2
3.6 Must directors disclose on-market share transactions within three business days?	2023	3	5	5	5	3	2	3	5	3	5	5	2
	2020	3	5	5	5	2	2	3	5	3	5	5	2
3.7 Must controlling shareholders disclose share pledges in a timely manner?	2023	2	5	5	2	1	3	4.5	0	2	3	3	0
	2020	2	5	5	3	1	3	0	0	0	3	4	0
3.8 Is there a closed period (a "blackout") of at least 60 days before the release of annual results and at least 30 days before interim/quarterly results during which directors cannot trade their shares?	2023	5	3	5	5	1	3	1	2	3	5	1.5	1
	2020	5	3	5	5	0	2	0	2	3	5	0	0
3.9 Are there clear rules on the prompt disclosure of price-sensitive information?	2023	5	4	5	4	3	4.5	4	5	5	5	5	4
	2020	5	4	5	4	2	4	4	4	5	5	5	4
3.10 Are there clear rules on the timely and meaningful disclosure of related-party transactions, calibrated for the size/materiality of transactions, and that allow minority shareholders to approve major RPTs?	2023	4	3.5	5	3	0	3	3	5	1	5	2	5
	2020	4	4	5	3	0	3	3	5	1	5	1	5
3.11 Are there clear rules prohibiting insider trading, with strong deterrent penalties?	2023	3.5	4.5	5	3	1	3.5	4.5	5	2	5	3.5	4
	2020	4	4	5	3	0	3	4	5	2	5	3	5
3.12 Is voting by poll mandatory for all resolutions at general meetings, followed by disclosure of results within one day?	2023	4.5	4	4	4	1	3.5	1	5	1	5	4.5	5
	2020	4	4	4	3	1	3	1	4	1	5	4	5
3.13 Is there an up-to-date national code of best practice - and accompanying guidance documents - that takes note of evolving international CG standards and is fit for purpose locally (ie, addresses fundamental CG problems in the domestic market)?	2023	4.5	2.5	3	3	2	4.5	4	4	2.5	3	4	4
	2020	5	3	3	3	2	4	3	4	3	3	4	5
3.14 Is there a stewardship code (or codes) for institutional investors based on the "comply or explain" standard and that seeks investor signatories?	2023	5	0	1.5	5	0	5	4	5	0	2	4.5	5
	2020	5	0	2	4	0	5	5	4	0	1	4	5
3.15 Is there a clear and robust definition of "independent director" in the code or listing rules? (ie, one stating independent directors should be independent of both management and the controlling shareholder; that does not allow former senior executives or former professional advisors/auditors to become independent directors after short "cooling-off" periods, nor people with business relationships)	2023	3	2	2	2	2	3.5	3	3	2	3	3	2
	2020	3	2	2	2	2	3	3	3	2	3	3	2
3.16 Must companies disclose the exact remuneration of individual directors and at least the top five key management personnel (KMP) by name?	2023	5	3	4	4	2	2	2	3	1	3	2	4
	2020	5	3	4	4	2	1	3	3	1	2	2	4
3.17 Are fully independent audit committees mandatory and given broad powers to review financial reporting, internal controls and risk management, and communicate independently with both the external and internal auditor?	2023	4.5	3	4	4	2	2.5	4	4	2	4	3	4
	2020	4	3	4	3	1	2	4	4	2	4	3	4
3.18 Are largely independent nomination committees mandatory and given broad powers to nominate directors?	2023	4	2	2.5	4	2	2	3	4	1	4	2	4
	2020	4	2	2	4	2	1	3	4	1	4	2	4
3.19 Can minority shareholders easily nominate directors?	2023	5	2	2	4	2	5	5	3	2	3	5	3
	2020	4	2	2	4	2	3	5	3	2	3	5	3
3.20 Is there a statutory or regulatory requirement that directors convicted of fraud or other serious corporate crimes must resign - or are removed from - their positions on boards and in management?	2023	5	4	3	3	3	4	2.5	5	5	5	3	5
	2020	5	4	3	3	3	4	1	5	5	5	3	5
3.21 Are pre-emption rights for minority shareholders - their right to buy any new shares issued by the company on a pro-rata basis - firmly protected? (ie, new shares issued for cash must keep to strict caps of no more than 5-10% of issued capital and a 5-10% discount to the current share price; shareholders can approve the extension of such placement mandates at each AGM; and/or measures have been introduced to allow for much faster rights issues)	2023	4	1	2	1	2	1	1.5	3	1	3	1.5	2
	2020	3	1	2	1	2	1	1	3	1	3	2	2
3.22 Must companies release their AGM proxy materials (with final agendas and an explanatory circular) at least 28 calendar days before the date of the meeting?	2023	5	3	4	4	3	2	3	4	4	2	5	4
	2020	5	3	4	4	3	2	3	4	3	2	3	4
3.23 Are there clear and robust rules for the protection of minority shareholders during takeovers and voluntary delistings (taking companies private)?	2023	4	3	4	3	1	2.5	2	3	2	4	4	5
	2020	3	3	4	3	1	2	2	4	2	4	4	5
3.24 Are institutional shareholders free to undertake collective engagement activities without an undue burden from concert-party rules?	2023	5	3	5	5	3	2	3	5	3	4	5	5
	2020	5	3	5	5	3	2	3	5	3	4	5	5
2023 category score (out of 120)		100.0	75.5	90.0	87.0	47.5	80.0	77.5	95.0	57.5	92.0	85.0	90.0
Category percentage (rounded)		83	63	75	73	40	67	65	79	48	77	71	75
Rank		1	10	4	6	12	8	9	2	11	3	7	4

Source: ACGA

4. Listed companies

		AU	CH	HK	IN	ID	JP	KR	ML	PH	SG	TW	TH
4.1	Does the company's board governance reporting compare favourably against international best practice?	2.0	2.5	2.0	2.5	1.0	2.0	2.0	2.0	2.5	2.0	2.0	1.0
4.2	How would you rate the quality of the company's ESG/ sustainability reporting?	3.5	1.0	3.0	3.0	1.5	3.0	4.0	2.5	3.0	3.0	4.5	1.5
4.3	Does the company provide comprehensive, timely and quick access to information for investors?	4.0	2.0	2.5	4.0	3.5	3.0	2.5	4.0	3.5	3.0	4.0	4.0
4.4	Does the company undertake annual board evaluations, either internally or using external consultants?	2.0	0.0	1.0	2.5	2.0	2.5	1.0	3.0	2.0	2.5	3.5	1.5
4.5	Does the company disclose and implement a credible board diversity policy?	3.5	0.5	1.0	1.5	0.5	1.5	1.0	2.0	1.5	1.5	3.0	1.0
4.6	Does the company provide induction and/or ongoing training to all directors?	3.5	1.0	2.0	4.0	2.5	1.5	1.5	4.0	3.0	2.0	3.0	2.0
4.7	Does the company have an independent chairman and/or a lead or senior independent director?	5.0	0.0	1.5	2.0	1.5	0.5	3.0	3.5	0.0	4.0	0.0	1.0
4.8	Does the company disclose total remuneration of each member of the board of directors?	5.0	4.0	4.5	4.5	0.5	2.5	1.0	5.0	1.0	3.0	2.5	4.5
4.9	Are the independent directors paid partly or wholly in stock options or restricted share awards? OR: Do they share in a percentage of company earnings or other commissions in addition to their base fee? (Note: We largely deduct scores for this type of compensation, which we consider creates potential conflicts of interest for INEDs. We give higher points where such compensation is not provided.)	5.0	5.0	4.5	1.5	1.5	5.0	4.0	2.5	4.5	4.5	4.0	5.0
4.10	Are audit committees (or an equivalent) independently led and competent in financial reporting/ accounting matters?	5.0	3.5	4.5	4.0	4.5	2.5	3.5	4.5	3.5	4.5	4.0	4.0
4.11	Does the company have an internal audit department that reports to the audit committee?	3.0	3.0	3.0	4.0	1.5	2.5	3.5	3.5	3.5	3.5	4.0	3.5
4.12	Does the company provide a detailed explanation of its executive remuneration policies?	5.0	0.5	2.0	2.5	1.0	3.5	2.0	2.0	1.5	2.5	2.0	2.0
4.13	Does the company have a nomination committee and is it independently led?	4.5	3.5	3	4.5	2.5	3	3.5	4.5	2	3	1.5	3.5
4.14	Does the nomination committee have a female chair or at least one female director?	2.5	0.5	2.5	1.5	1	1.5	1.5	3	2	1.5	0.5	1.5
	2023 category score (out of 70)	53.5	27.0	37.0	42.0	25.0	34.5	34.0	46.0	33.5	40.5	38.5	36.0
	Category percentage (rounded)	76	39	53	60	36	49	49	66	48	58	55	51
	Rank	1	11	6	3	12	8	8	2	10	4	5	7

Note: 2020 scores not provided as the company survey substantially changed. Source: ACGA

5. Investors

		AU	CH	HK	IN	ID	JP	KR	ML	PH	SG	TW	TH	
5.1	Are domestic institutional investors (asset owners and managers) working to promote better corporate governance in your market through publicly announced policies on CG, ESG, voting or stewardship?	2023	4.5	1	1.5	4.5	0	3.5	3	2	1	1	3	3
		2020	4	1	2	5	0	4	3	2	1	1	3	3
5.2	Are foreign/international institutional investors (asset owners and managers) working to promote better corporate governance in your market through publicly announced policies on CG, ESG, voting or stewardship?	2023	3	2	4	2	1	4.5	3	2	1	4	3	3
		2020	3	2	5	2	1	4	3	2	1	4	3	3
5.3	Do a majority of domestic institutional investors exercise their voting rights, including voting against resolutions with which they disagree?	2023	5	2	2.5	4	2	5	4	3	2	1	2.5	3
		2020	5	1	2	4	1	5	3	2	1	1	3	3
5.4	Do a majority of foreign/international institutional investors exercise their voting rights, including voting against resolutions with which they disagree?	2023	5	3	5	4	3	5	5	3	3	4	4	3
		2020	5	3	5	4	3	5	5	3	3	5	5	3
5.5	Do domestic institutional investors actively participate in annual general meetings?	2023	0.5	1	1	1	1	1	1.5	2	2	1	2	1
		2020	1	1	1	1	2	1	1	2	2	1	2	1
5.6	Do foreign institutional investors actively participate in annual general meetings?	2023	0	0	1	0.5	1	1.5	1.5	1	1	1	0	1
		2020	0	0	1	1	2	1	1	1	1	1	1	1
5.7	Do activist funds exist that seek to address specific company issues or transactions?	2023	2	0	1	1.5	1	5	4	1	0	1	1	0
		2020	2	0	2	1	1	5	3	1	0	0	0	0
5.8	Do domestic asset owners (in particular state pension and investment funds) play a leadership role in prompting responsible investment and investor stewardship?	2023	5	1	1	1	0	3.5	3	3	0	1	0	1
		2020	5	1	1	1	0	3	3	3	0	1	2	2
5.9	To what extent do domestic institutional investors engage in regular individual or collective engagement with listed companies?	2023	4.5	1	1	3	1	2.5	2.5	3	1	1	2.5	2
		2020	5	0	1	3	0	3	2	4	0	1	2	2
5.10	To what extent do foreign/international institutional investors engage in regular individual or collective engagement with listed companies?	2023	2.5	1.5	3	2.5	2	3	3	2	2	3	1.5	1
		2020	3	1	3	2	2	2	3	2	2	3	2	1
5.11	Are domestic investors effectively disclosing how they manage institutional conflicts of interest?	2023	3	0	2	2	2	3.5	0	2	1	1	1	2
		2020	3	0	2	2	2	3	1	2	1	1	0	2
5.12	Do domestic institutional investors disclose voting down to the company level, and give substantive reasons for voting Against?	2023	3	0	0	4.5	0	4	4.5	0	0	0	1	4
		2020	3	0	0	5	0	4	5	0	0	0	0	5
5.13	Do any proxy advisory services operate locally?	2023	5	2.5	0	5	0	4	3.5	3	0	1.5	0	0
		2020	5	2	0	5	0	4	3	4	0	3	0	1
5.14	Do retail shareholders see the annual general meeting as an opportunity to engage with companies, ask substantive questions, and put forward shareholder proposals?	2023	4	1	2	1	2	3.5	1.5	4	2	4	3.5	2
		2020	4	1	2	1	2	3	1	3	2	4	3	2
5.15	Have retail shareholders formed their own (ie, self-funded) associations to promote improved corporate governance?	2023	5	0	0	1	0	0	3	2	3	4	0	2
		2020	5	0	0	1	0	0	0	3	3	4	0	3
5.16	Do retail shareholders or individuals launch public activist campaigns against errant directors or companies?	2023	4	0	2	1	0	3.5	2.5	3	1	5	4	1
		2020	3	1	3	1	0	3	1	2	1	5	3	1
5.17	Do retail shareholders (or government agencies acting on their behalf) undertake lawsuits against errant directors or companies?	2023	3	2.5	1	1	1	2.5	2	0	1	0	5	1
		2020	3	2	1	1	1	3	2	0	1	0	5	1
2023 category score (out of 85)			59.0	18.5	28.0	39.5	17.0	55.5	47.5	36.0	21.0	33.5	34.0	30.0
Category percentage (rounded)			69	22	33	46	20	65	56	42	25	39	40	35
Rank			1	11	9	4	12	2	3	5	10	7	6	8

Source: ACGA

6. Auditors & audit regulators

		AU	CH	HK	IN	ID	JP	KR	ML	PH	SG	TW	TH	
6.1	Are local accounting standards for listed companies fully converged with International Financial Reporting Standards (IFRS)?	2023	5	4	5	3	4	4.5	5	5	5	5	5	
		2020	5	4	5	3	3	4	5	5	4	5	5	
6.2	Are local auditing standards for listed companies fully converged with International Standards on Auditing (ISAs)?	2023	5	3	5	4	4	5	4	5	5	4.5	4.5	5
		2020	5	3	5	3	3	4	4	5	4	4	4	5
6.3	Has the government or accounting regulator enacted effective rules on the independence of external auditors? (eg, by introducing limits on the non-audit work that external auditors can do; requirements for audit-partner rotation; whistleblower protection for auditors; a positive duty for auditors to report fraud; and so on)	2023	4	2	4	3	4	4.5	4	4	3	4	3.5	4
		2020	5	2	4	2	3	4	3	5	3	4	3	4
6.4	Is disclosure of audit and non-audit fees paid to the external auditor required, with accompanying commentary sufficient to make clear what the non-audit work is?	2023	5	2	4	4	3	4.5	5	4	5	4	5	5
		2020	5	2	5	4	3	4	5	4	5	4	4	5
6.5	Are extended auditor reports focussing on "key audit matters" (KAMs) required?	2023	5	5	5	5	2.5	2.5	5	5	5	5	5	5
		2020	5	5	5	4	0	2	4	5	5	5	5	5
6.6	Has the government established an independent audit oversight board (AOB) with clear and independent powers of registration, inspection, investigation, sanction (over both auditors and audit firms), and standard setting?	2023	3.5	3	4	3.5	3	4	4	5	2	3.5	4.5	4
		2020	4	0	3	3	3	3	3	4	2	3	5	4
6.7	Does the audit regulator exercise effective and independent disciplinary control over the audit profession?	2023	3	2.5	3	4	3	3.5	4	4	2	2	3.5	2
		2020	3	1	3	3	4	3	3	3	2	2	3	2
6.8	Does the audit regulator disclose its enforcement work and other activities on a timely and detailed basis?	2023	4.5	2	5	3	3	4.5	2	5	1	3.5	3	2
		2020	5	2	5	3	3	5	2	5	1	4	2	2
6.9	Does the audit regulator publish a detailed report on its inspection programme, audit quality, and audit industry capacity (ie, the level of skills and experience in the CPA profession) every one to two years?	2023	4	1	4	3	3	4.5	1	5	1	5	4	4
		2020	5	1	4	2	2	5	1	5	1	5	3	4
6.10	Does the audit regulator proactively seek to promote capacity, quality and governance improvements within audit firms? (This could include, among other things, requiring firms to meet a set of "audit quality indicators". Or creating an "audit firm governance code". Or pushing small firms to consolidate.)	2023	2	0	2	2	3	4	2.5	4	2	5	3.5	3.5
		2020	2	0	2	1	3	4	3	4	1	5	3	3
2023 category score (out of 50)			41.0	24.5	41.0	34.5	32.5	41.5	36.5	46.0	31.0	41.5	41.5	39.5
Category percentage (rounded)			82	49	82	69	65	83	73	92	62	83	83	79
Rank			5	12	5	9	10	2	8	1	11	2	2	7

Source: ACGA

7. Civil society & media

		AU	CH	HK	IN	ID	JP	KR	ML	PH	SG	TW	TH	
7.1	Is there a high quality provision of director training in the market, particularly through an institute of directors?	2023	5	2.5	5	3.5	4	5	0	5	4	5	4	5
		2020	5	2	4	3	3	5	0	4	4	5	3	5
7.2	Is there an institute of company secretaries (or equivalent) actively engaged in company secretarial training?	2023	5	1	4.5	5	4	1	1	5	0	4	1	4
		2020	5	1	4	5	4	1	0	5	0	4	2	5
7.3	Are other professional associations - of accountants, financial analysts and so on - helping to raise awareness of good corporate governance and ESG?	2023	4	1	2.5	3.5	2	3	1.5	2	2	3	3.5	0
		2020	4	2	3	3	1	3	1	1	2	3	2	0
7.4	Are business associations - chambers of commerce, business federations and investment industry bodies - working with their members to improve corporate governance and ESG?	2023	2.5	1	0.5	3.5	1	1.5	1	0	1	2	2.5	3
		2020	2	0	1	3	1	1	0	0	1	2	3	4
7.5	Are other non-profit organisations working to raise standards of corporate governance and ESG?	2023	5	1	2	4.5	2	4	5	2	1	1	4	1
		2020	5	0	3	5	2	5	5	3	2	1	5	1
7.6	Are these groups also involved in public policy discussions and consultations with a view to improving corporate governance and ESG?	2023	4	0	3.5	3.5	2	3	4	2	2	3	2	3
		2020	4	0	5	5	2	3	4	2	2	3	3	3
7.7	Are professional associations and academic organisations carrying out original and credible research on local CG practices?	2023	5	2	1.5	4	2	4.5	4	2	1	4	3.5	1
		2020	5	2	3	5	2	4	4	1	1	4	3	1
7.8	Is the media able to actively and impartially report on corporate governance policy developments and corporate abuses?	2023	3	1	1	3.5	2	4	2	3	2	3	4	2
		2020	3	1	2	4	1	3	1	2	2	3	4	2
7.9	Is the media sufficiently skilled at reporting on corporate governance?	2023	3.5	2	2	2.5	1	3.5	1	3	2	4	3.5	1.5
		2020	3	2	2	2	1	3	1	2	2	4	3	1
2023 category score (out of 45)			37.0	11.5	22.5	33.5	20.0	29.5	19.5	24.0	15.0	29.0	28.0	20.5
Category percentage (rounded)			82	26	50	74	44	66	43	53	33	64	62	46
Rank			1	12	7	2	9	3	10	6	11	4	5	8

Source: ACGA



Appendix 3: Governance questions

We have 24 questions on the five principles of corporate governance: Transparency, Fairness, Responsibility, Independence and Discipline, which comprises of 90% (18% for each pillar) of total CG score.

Discipline (18% weight)

Question number	Range of scores	Question	Guidelines
CG01	0, 1	Does management adhere to clearly defined core businesses?	Core businesses represent the sectors and skillsets in which a company has shown clear competence and ideally a competitive advantage. This measure is subjective. As determined by the analyst, this may also include tangential acquisitions or new ventures that build on the skills the company is recognised for by the market and customers, as entering these areas could broaden the core business over time. (eg, Hyundai Motor acquiring a construction business is not within the range of its core business. Apple moving into the auto industry could be argued as still within its core competency of software and design based on innovation).
CG02	0, 1	Are you confident management clearly understands the company's cost of capital and uses it as a key input in capital allocation?	Answer "0" for "NO" if you have any reason to believe any of the below are TRUE: <ul style="list-style-type: none"> <input type="checkbox"/> You cannot find references to cost of capital in the company's communication materials or during interactions with investors <input type="checkbox"/> The company has a history of continuing to fund businesses that do not earn their cost of capital
CG03	0, 1	Has the company issued any capital (debt or equity) in the last five years that was clearly not in the best interests of shareholders?	Answer "1" for "YES" if you have any reason to believe the below are TRUE: <ul style="list-style-type: none"> <input type="checkbox"/> There was an expensive acquisition with unconvincing arguments for synergies <input type="checkbox"/> The company provided inadequate disclosure of the reasons for capital issuance and capital usage <input type="checkbox"/> You are concerned about implications for solvency from current balance sheet structure or any recent debt issuances Yes = 1 (this will lower the overall score); No = 0 (this will increase the overall score)
CG04	0, 1	In the past five years, has the company engaged in any type of restructuring that conflicts with shareholder interests?	Transactions that conflict with shareholder interests include but are not limited to: <ul style="list-style-type: none"> <input type="checkbox"/> Spin-off of strategically important or imminently profitable businesses to related parties (eg, the Baidu deal with iQiyi) <input type="checkbox"/> Mergers or demergers done at material deviations to analyst estimates of a fair price <input type="checkbox"/> Transactions that increase voting control of one group at the expense of another without a control premium Yes = 1 (this will lower the overall score); No = 0 (this will increase the overall score)
CG05	0, 1	Is the company free from government interference?	Answer "0" or "NO" if you have any reason to believe any of the below are TRUE: <ul style="list-style-type: none"> <input type="checkbox"/> The company faces indirect pressure to alter pricing, hiring, investments or any material entity-level decisions in any way that hurts shareholder interests to support government goals <input type="checkbox"/> This does not include normal regulations within the confines of a company's official mandate that allows it to earn a previously agreed upon regulatory return
CG06a	0, 1	Has management disclosed reasonable return on capital targets (ie, ROA, ROE or ROIC)? If so, answer YES (1), then please state what they are in (6b).	The time horizon and specific type of metric is not important. A target that is unnecessarily high and encourages the company to take undue risk should be answered as "NO"

Note: Questions in bold carry negative scoring. Source: CLSA


Transparency (18% weight)

Question number	Range of scores	Question	Guidelines
CG07	0, 1	Does the company publish its audited full-year results within two months of the end of the financial year?	The formal regulation is three months for audited annual accounts in most markets, but two months is seen as good practice. Best practice is now one month or less
CG08	0, 0.25, 0.5, 0.75, 1	Are financial reports clear and informative?	<p>For every question below answered as TRUE, take off 0.25 per question (four or more questions answered as TRUE will result in a score of 0):</p> <ul style="list-style-type: none"> <input type="checkbox"/> If over the past five years there has been an occasion in which the results announced lacked disclosure that was subsequently revealed as relevant; ie, restated accounts <input type="checkbox"/> If key footnotes to the accounts are unintelligible <input type="checkbox"/> If negative factors were downplayed when presenting the company's results that were important in assessing the business value <input type="checkbox"/> If there is inadequate information on the below items: <ul style="list-style-type: none"> ■ revenue/profit split for different businesses ■ regions/countries ■ product lines <input type="checkbox"/> If there are inadequate disclosures and/or provisions for contingent liabilities, non-performing loans (NPL) or likely future losses <input type="checkbox"/> If there is inadequate detail for group/related company transactions and rationale If there is inadequate disclosure regarding 'other expenses' <input type="checkbox"/> If there is an auditor qualification
CG09	0, 1	Are the accounts free of controversial interpretations of IFRS or dubious accounting policies?	<p>Answer "0" or "NO" if you have any reason to believe that any of the below are TRUE:</p> <ul style="list-style-type: none"> <input type="checkbox"/> If the company has changed its accounting policies, or adopted a controversial accounting practice that boosted stated earnings <input type="checkbox"/> If pro-forma or unaudited result statements are notably different from actual audited accounts <input type="checkbox"/> If expenses have not been sufficiently 'disaggregated' as per IAS 1 <input type="checkbox"/> If profits are consistently rising in the face of falling cashflow to the extent that analysts are concerned about the number <input type="checkbox"/> If the valuation of any assets (eg, biological assets such as forests) do not appear to have a sound basis
CG10	0, 1	Does the company consistently disclose major and/or price-sensitive information punctually?	Answer "0" or "NO" if there have been any cases in the past five years in which the share price moved noticeably just before a material announcement or results release and in a direction that anticipated the announcement
CG11	0, 1	Do analysts and investors have good access to senior management?	Good access implies accessibility soon after results are announced and timely meetings where analysts are given all relevant information and not misled

Note: Questions in bold carry negative scoring. Source: CLSA



Independence (18% weight)

Question number	Range of scores	Question	Guidelines
CG12	0, 1	Is there any reason to doubt the independence of the chairman?	<p>0 = NO 1 = YES</p> <p>Answer "1" or "YES" for following the circumstances:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Chairman is a relative of the CEO and/or senior executive and there is no established history of prioritising shareholders over family goals <input type="checkbox"/> Chairman was formerly a long-term employee of the company and has no history of challenging management decisions (ie, he is only technically 'independent' due to the cooling-off prescriptions in the listing rules) <input type="checkbox"/> Chairman is a government appointee and was clearly appointed for political reasons <input type="checkbox"/> Chairman has a reputation for being a weak leader <p>Yes = 1 (this will lower the overall score); No = 0 (this will increase the overall score)</p>
CG13	0, 1	Does the company have an effective and independent audit committee?	<p>Answer "0" or "NO" if you have any reason to believe any of the below are uncertain or FALSE:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The audit committee is chaired by a genuinely independent director and more than half its members are independent directors. <input type="checkbox"/> All members of the committee, including the independent directors, have financial expertise - and one member is a financial or accounting expert. <input type="checkbox"/> The committee membership also has a range of expertise in relevant industries or service sectors. <input type="checkbox"/> The committee meets regularly, well before board meetings, and communicates directly with internal auditors (this information, if it exists, should be in the audit committee report in the annual report). <input type="checkbox"/> The audit committee report contains substantive information about the financial, accounting and risk issues it discussed during the year (ie, the report is not just a boilerplate description of its terms of reference, membership, director attendance statistics and so on).
CG14	0, 1	Has the company been involved in a scandal in the last five years that has raised questions about the independence of external auditors?	<p>For example, DSME manipulated its accounting records over several years. Regulators later uncovered this fraud and punished the company's auditors for failing to detect the issues. Similarly, Toshiba overstated its operating profits over seven years due to overly aggressive management pressure.</p> <p>Yes = 1 (this will lower the overall score); No = 0 (this will increase the overall score)</p>
CG15	0, 0.5, 1	Do the independent nonexecutive directors on the board act in a genuinely independent way?	<p>Here we are looking for analysts to provide their best assessment of the competence and substantive independence of the board. In the past five years has the company provided:</p> <p>1 = positive evidence of specific action which shows a board has challenged management 0.5 = no negative evidence 0 = if the analyst has any concerns or is aware of negative behaviour</p> <p>Some examples of negative behaviours are:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Approved transactions that analyst believe were unattractive <input type="checkbox"/> Approved unreasonable remuneration packages <input type="checkbox"/> Failed to take action when the competence of senior executives was questioned by outsiders
CG16	0, 0.25, 0.5, 0.75, 1	Does the company vote by poll at AGMs and EGMs for all resolutions and release detailed results the next day (where all votes including those through proxies are given their appropriate weight based on the percentages of shareholding, as opposed to a show of hands)?	<p>Score the company based on how many of gold standard questions are answered 'Yes'</p> <p>Give a score of 1 for all 3 questions: 0.75 for having 2 out of 3 questions 0.5 for having 1 out of 3 questions 0.25 if you believe company is doing something on this topic 0 if you believe company is doing nothing</p> <p>Gold standard:</p> <ol style="list-style-type: none"> 1. All votes are counted on each resolution, including both proxy votes (ie, sent in beforehand, usually from institutional investors) and any votes cast during the meeting (mostly by retail shareholders, but sometimes institutions as well) 2. The company engages an independent third party (eg, a law or accounting firm or share registrar) to scrutinise the vote count 3. The company publishes the detailed results no later than one day after the meeting (detailed results = full disclosure of all votes - For, Against and Abstain - on each resolution, as well as a report on the number of shares eligible to vote at the meeting)
CG17	0, 1	Does the board composition reflect an attempt to bring diverse talent and backgrounds to the board?	<p>0 = NO 1 = YES</p> <p>Answer "0=NO" if the independent directors are mainly retired executives or retired government officials, or if the Board is all male</p>

Note: Questions in bold carry negative scoring. Source: CLSA



Responsibility (18% weight)

Question number	Range of scores	Question	Guidelines
CG18	0, 1	Can you confirm that no one with a criminal conviction is sitting on the board or in a senior executive position at the company?	This excludes traffic offences and overtly political convictions
CG19	0, 1	Over the past five years, has the company engaged in any related-party transactions that harm the interests of non-controlling shareholders?	<p>Answer "1=YES" if the company engages in any of the following:</p> <p>Sourcing key materials from a related party, or using a related party that is not part of the listed group as a distribution channel. This does not include related party transactions (RPT) that are not harmful to shareholder interests; RPTs are not necessarily bad if genuinely done at arms length and free from conflicts of interest.</p> <p>Placing funds in deposits or for investments in a related parties that meet the following criteria:</p> <ul style="list-style-type: none"> <input type="checkbox"/> they are not part of the listed group <input type="checkbox"/> annual report discussion of related party transactions runs over two short paragraphs <input type="checkbox"/> listed company has invested in businesses in which the controlling shareholders have interests in the past three years <p>Note the analyst should not consider the economic impact of such transactions as we are focusing on culture and behaviour, not materiality (any RPT that raises red flags should indicate a "YES" regardless of size)+</p> <p>Yes = 1 (this will lower the overall score); No = 0 (this will increase the overall score)</p>
CG20	0, 1	Is the controlling shareholder's primary financial interest the listed company?	<p>Answer "0=NO" if the company is any of the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Government-controlled entity <input type="checkbox"/> Listed company where the ultimate shareholder(s) have various other business interests <p>Note: If no controlling shareholder put "1=YES"</p>

Note: Questions in bold carry negative scoring. Source: CLSA

Fairness (18% weight)

Question number	Range of scores	Question	Guidelines
CG21	0, 1	Has there been any evidence of conflicts of interest on the board or among senior management in the past five years?	<p>Answer "1=YES" if you have any reason to believe any of the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Questionable inter-company transactions <input type="checkbox"/> Management fees paid from the listed group to a parent company, or to a private company controlled by the major shareholders on the basis of revenue or profits <input type="checkbox"/> Mergers or demergers took place that disadvantaged minority shareholders <p>Yes = 1 (this will lower the overall score); No = 0 (this will increase the overall score)</p>
CG22	0, 1	Has the company issued any securities that decouple voting rights from economic rights?	<p>Answer "1=YES" if:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Any classes of ordinary shares have disenfranchised their holders <input type="checkbox"/> Company has issued any dual class shares <input type="checkbox"/> Preferential access to or pricing of any securities that were not offered to all shareholders <p>Yes = 1 (this will lower the overall score); No = 0 (this will increase the overall score)</p>
CG23	0, 1	Have there been any controversies/questions over whether trading of shares by board members, or placements by the company have been fair, fully transparent and well-intentioned?	<p>Answer "1=YES" if any of the below are TRUE:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Announcements were made to the exchange after three working days <input type="checkbox"/> Major shareholders did not reveal all transactions, including those under nominee names <input type="checkbox"/> Parties related to the major shareholders involved in transactions were not disclosed to the exchange, or were accused of insider trading <p>Yes = 1 (this will lower the overall score); No = 0 (this will increase the overall score)</p>
CG24	0, 1	Is remuneration of the board and executive compensation fair?	<p>Answer "1=YES" if any of the below is TRUE:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Clear link between the company's fundamentals and remuneration <input type="checkbox"/> Company does not use asymmetric payoff structures such as long-dated options <input type="checkbox"/> All remuneration immediately expensed and reported in detail within the primary accounts rather than as footnotes

Note: Questions in bold carry negative scoring. Source: CLSA



Companies mentioned

Active Super (N-R)
 AGL Energy (N-R)
 Allan Gray (N-R)
 Allianz Global Investors (N-R)
 Amcor (AMC AU - A\$14.29 - O-PF)
 AMP (N-R)
 Anima SGR (N-R)
 ANZ Bank (ANZ AU - A\$29.05 - O-PF)
 Australian Retirement Trust (N-R)
 Australian Unity (N-R)
 AustralianSuper (N-R)
 AustSuper (N-R)
 Avanteos (N-R)
 Aware Financial Services (N-R)
 Aware Super (N-R)
 BDO Unibank (BDO PM - P136.50 - O-PF)
 BEN (BEN AU - A\$11.62 - O-PF)
 Black Mountain Energy (N-R)
 BlackRock (N-R)
 BT Financial Group (N-R)
 CalSTRS (N-R)
 CBA (CBA AU - A\$137.49 - HLD)
 Challenger (CGF AU - A\$7.04 - O-PF)
 Computershare (CPU AU - A\$26.86 - O-PF)
 CSL (CSL AU - A\$298.53 - O-PF)
 Deloitte (N-R)
 Diversa Trustees (N-R)
 Elders Ltd (ELD AU - A\$8.57 - O-PF)
 EY (N-R)
 Fairfax Media (N-R)
 First Sentier Investments (N-R)
 Florida State Board of Administration (N-R)
 Future Fund (N-R)
 Grant Thornton (N-R)
 Grok Ventures (N-R)
 HESTA (N-R)
 HMC Capital (HMC AU - A\$7.75 - U-PF)
 IFM Investors (N-R)
 Ingenia Communities (INA AU - A\$4.74 - O-PF)
 IPH (IPH AU - A\$6.15 - O-PF)
 Johns Lyng (JLG AU - A\$5.97 - O-PF)
 KLP (N-R)
 KPMG (N-R)
 Lendlease (LLC AU - A\$6.28 - O-PF)
 LGIM (N-R)
 Macquarie (MQG AU - A\$202.82 - HLD)
 Macquarie AM (N-R)
 Magellan (MFG AU - A\$10.22 - HLD)
 Mercer Superannuation (N-R)
 MLC AM (N-R)
 Morningstar Investment Management (N-R)
 NAB (NAB AU - A\$38.58 - HLD)





NEXTDC (NXT AU - A\$18.44 - O-PF)
 Nine (N-R)
 Northern Trust Asset Management (N-R)
 NRW (NWH AU - A\$3.06 - O-PF)
 Orora (ORA AU - A\$2.00 - O-PF)
 Perpetual (PPT AU - A\$22.17 - O-PF)
 Platinum (PTM AU - A\$1.07 - U-PF)
 PWC (N-R)
 Qantas (QAN AU - A\$5.87 - O-PF)
 Reserve Bank of Australia (N-R)
 Santos (N-R)
 Star Entertainment (SGR AU - A\$0.58 - O-PF)
 State Super FS (N-R)
 Tanarra Capital (N-R)
 TechOne (TNE AU - A\$18.43 - O-PF)
 Telix (TLX AU - A\$18.00 - O-PF)
 TerraCom Ltd (N-R)
 Tlou Energy (N-R)
 Unisuper (N-R)
 Vanguard (N-R)
 Western Sydney Airport (N-R)
 Westpac (WBC AU - A\$29.80 - O-PF)
 Westpac Securities (N-R)
 Woodside (N-R)
 Xero (XRO AU - A\$135.00 - O-PF)

Analyst certification

The analyst(s) of this report hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report.

Important disclosures

CLSA ("CLSA") in this report refers to CLSA Limited, CLSA Americas, LLC, CLSA Australia Pty Ltd, CLSA India Private Limited, PT CLSA Sekuritas Indonesia, CLSA Securities Japan Co., Ltd., CLSA Securities Korea Ltd., CLSA Securities Malaysia Sdn. Bhd., CLSA Philippines, Inc, CLSA Singapore Pte Ltd, CLSA Securities (Thailand) Limited, CLSA (UK), CLSA Europe B.V. and/or their respective affiliates. CLST ("CLST") in this report refers to CL Securities Taiwan Co., Ltd.

The policies of CLSA and CLST are to only publish research that is impartial, independent, clear, fair, and not misleading. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to a research report as below. This research disclosure should be read in conjunction with the research disclaimer as set out hereof and at www.clsa.com/disclaimer.html, the Terms and Conditions of Use as set out at <https://www.clsa.com/terms-and-conditions-of-use/> and the applicable regulation of the concerned market where the analyst is stationed and hence subject to. Investors are strongly encouraged to review this disclaimer before investing.

Neither analysts nor their household members or associates may have a financial interest in, or be an officer, director or advisory board member of companies covered by the analyst unless disclosed herein. In circumstances where an analyst has a pre-existing holding in any securities under coverage, those holdings are grandfathered and the analyst is prohibited from trading such securities.

The analysts included herein hereby confirm that they have not been placed under any undue influence, intervention or pressure by any person/s in compiling this research report. In addition, the analysts attest that they were not in possession of any material, non-public information regarding the subject company that has securities listed in the relevant jurisdiction(s) at the time of publication of this report. (For full disclosure of interest for all companies covered by CLSA in this report, please refer to http://www.clsa.com/member/research_disclosures/ for details.)

As analyst(s) of this report, I/we hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this report or to any investment banking relationship with the subject company covered in this report (for the past one year) or otherwise any other relationship with such company which leads to receipt of fees from the company except in ordinary course of business of the company. The analyst/s also state/s and confirm/s that he/she/they has/have not been placed under any undue influence, intervention or pressure by any person/s in compiling this research report. In addition, the analysts included herein attest that they were not in possession of any material, non-public information regarding the subject company that has securities listed in the relevant jurisdiction(s) at the time of publication of this report. The analysts



further confirm that none of the information used in this report was received from CLSA's Corporate Finance department or CLSA's and/or CLST's Sales and Trading business. Save from the disclosure below (if any), the analyst(s) is/are not aware of any material conflict of interest.

Key to CLSA/CLST investment rankings: From 6pm (HK time) on 28 June 2024: Outperform (O-PF): Total stock return (TSR) expected to exceed or be equal to 10%; Hold (HLD): Total stock return expected to be below 10% but more than or equal to negative 10%; Underperform (U-PF): Total stock return expected to be below negative 10%. TSR is up/downside to 12-month target price plus dividend. Up to 6pm (HK time) on 28 June 2024: BUY: Total stock return (including dividends) expected to exceed 20%; O-PF (aka ACCUMULATE): Total expected return below 20% but exceeding market return; U-PF (aka REDUCE): Total expected return positive but below market return; SELL: Total return expected to be negative. For relative performance, we benchmark the 12-month total forecast return (including dividends) for the stock against the 12-month forecast return (including dividends) for the market on which the stock trades.

"High Conviction" Ideas are not necessarily stocks with the most upside/downside, but those where the Research Head/Strategist believes there is the highest likelihood of positive/negative returns. The list for each market is monitored weekly.

According to the key to CLSA/CLST investment rankings effective from 6pm (HK time) on 28 June 2024: Overall rating distribution for CLSA (exclude CLST) only Universe: Outperform - CLSA: 72.61%, Hold - CLSA: 18.39%, Underperform - CLSA: 9.00%, Restricted - CLSA: 0.39%; Data as of 28 June 2024. Investment banking clients as a % of rating category: Outperform - CLSA: 14.60%, Hold - CLSA: 1.03%, Underperform - CLSA: 1.03%; Restricted - CLSA: 0.39%. Data for 12-month period ending 28 June 2024. Overall rating distribution for CLST only Universe: Outperform - CLST: 79.66%, Hold - CLST: 8.47 %, Underperform - CLST: 11.86%, Restricted - CLST: 0.00%. Data as of 28 June 2024. Investment banking clients as a % of rating category: Outperform - CLST: 0.00%, Hold - CLST: 0.00%, Underperform - CLST: 0.00%, Restricted - CLST: 0.00%. Data for 12-month period ending 28 June 2024. For purposes of regulatory disclosure only, our Outperform rating falls into a buy rating category; our Hold rating falls into a hold rating category; and our Underperform rating falls into a sell rating category.

According to the key to CLSA/CLST investment rankings effective up to 6pm (HK time) on 28 June 2024: Overall rating distribution for CLSA (exclude CLST) only Universe: BUY / Outperform - CLSA: 72.61%, Underperform / SELL - CLSA: 27.39%, Restricted - CLSA: 0.39%; Data as of 28 June 2024. Investment banking clients as a % of rating category: BUY / Outperform - CLSA: 14.60%, Underperform / SELL - CLSA: 2.05%; Restricted - CLSA: 0.39%. Data for 12-month period ending 28 June 2024. Overall rating distribution for CLST only Universe: BUY / Outperform - CLST: 79.66%, Underperform / SELL - CLST: 20.34%, Restricted - CLST: 0.00%. Data as of 28 June 2024. Investment banking clients as a % of rating category: BUY / Outperform - CLST: 0.00%, Underperform / SELL - CLST: 0.00%, Restricted - CLST: 0.00%. Data for 12-month period ending 28 June 2024. There are no numbers for Hold/Neutral as CLSA/CLST do not have such investment rankings.

For a history of the recommendation, price targets and disclosure information for companies mentioned in this report please write to: CLSA Group Compliance, 18/F, One Pacific Place, 88 Queensway, Hong Kong and/or; CLST Compliance (27/F, 95, Section 2 Dun Hua South Road, Taipei 10682, Taiwan, telephone (886) 2 2326 8188). EVA® is a registered trademark of Stern, Stewart & Co. "CL" in charts and tables stands for CLSA estimates, "CT" stands for CLST estimates, "CRR" stands for CRR Research estimates and "CS" for CITIC Securities estimates unless otherwise noted in the source.

Charts and tables sourced to CLSA in this report may include data extracted from CLSA's automated databases, which derive their original data from a range of sources. These can include: companies; analyst estimates/calculations; local exchanges and/or third-party data or market pricing providers such as Bloomberg, FactSet or IBES. Additional information on data sources for specific charts or tables can be obtained by contacting the publishing analysts.

This report is subject to and incorporates the terms and conditions of use set out on the www.clsa.com website

(<https://www.clsa.com/disclaimer.html> and <https://www.clsa.com/terms-and-conditions-of-use/>) and the references to "publication/communication" or "Publications" thereof shall include this report. Neither this report nor any portion hereof may be reprinted, sold, resold, copied, reproduced, distributed, redistributed, published, republished, displayed, posted or transmitted in any form or media or by any means without the written consent of CLSA and/or CLST. CLSA and/or CLST has/have produced this report for private circulation to professional, institutional and/or wholesale clients only, and may not be distributed to retail investors. The information, opinions and estimates herein are not directed at, or intended for distribution to or use by, any person or entity in any jurisdiction where doing so would be contrary to law or regulation or which would subject CLSA and/or CLST to any additional registration or licensing requirement within such jurisdiction. The information and statistical data (for private or public companies) herein have been obtained from sources we believe to be reliable. Such information has not been independently verified and CLSA and/or CLST makes no representation or warranty as to its fairness, adequacy, accuracy, completeness or correctness. The replication of any third party views in this report should not be treated necessarily as an indication that CLSA and/or CLST agrees with or concurs with such views. None of CLSA and/or CLST, its affiliates and their respective directors, officers, employees, advisers and representatives makes any representation or warranty, express or implied, as to and no reliance should be placed on, the fairness, accuracy, completeness or correctness of such data or information contained herein or any statement made in this report. Any opinions or estimates herein reflect the judgment of CLSA and/or CLST at the date of this report and are subject to change at any time without notice. Where any part of the information, opinions or estimates contained herein reflects the views and opinions of a sales person or a non-analyst, such views and opinions may not correspond to the published view of CLSA and/or CLST. Any price target given in the report may be projected from one or more valuation models and hence any price target may be subject to the inherent risk of the selected model as well as other external risk factors. Where the publication does not contain ratings, the material should not be construed as research but is offered as factual commentary. It is not intended to, nor should it be used to form an investment opinion about the non-rated companies.

This report is for information purposes only and it does not constitute or contain, and should not be considered as an offer or invitation to sell, or any solicitation or invitation of any offer to subscribe for or purchase any securities in any jurisdiction and recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. This is not intended to provide professional, investment or any other type of advice or recommendation and does not take into account the particular investment objectives, financial situation or needs of individual recipients. Before acting on any information in this report, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice, including legal or tax advice. Investments involve risks, and investors should exercise prudence and their own judgment in making their investment decisions. The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Investments that are denominated in foreign currencies may fluctuate in value as a result of exposure to movements of exchange rate. Past performance is not necessarily a guide to future performance or liquidity. CLSA and/or CLST do/does not accept any responsibility and cannot be held liable for any person's use of or reliance on the information and opinions contained herein. To the extent permitted by applicable securities laws and regulations, CLSA and/or CLST accept(s) no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents.

To maintain the independence and integrity of our research, our Corporate Finance, Sales Trading, Asset Management and Research business lines are distinct from one another. This means that CLSA's Research department is not part of and does not report to CLSA's Corporate Finance department or CLSA's Sales and Trading business. Accordingly, neither the Corporate Finance department nor the Sales and Trading department supervises or controls the activities of CLSA's research analysts. CLSA's research analysts report to the management of the Research department, who in turn report to CLSA's senior



management. CLSA has put in place a number of internal controls designed to manage conflicts of interest that may arise as a result of CLSA engaging in Corporate Finance, Sales and Trading, Asset Management and Research activities. Some examples of these controls include: the use of information barriers and other controls designed to ensure that confidential information is only shared on a "need to know" basis and in compliance with CLSA's Chinese Wall policies and procedures; measures designed to ensure that interactions that may occur among CLSA's Research personnel, Corporate Finance, Asset Management, and Sales and Trading personnel, CLSA's financial product issuers and CLSA's research analysts do not compromise the integrity and independence of CLSA's research.

Subject to any applicable laws and regulations at any given time, CLSA, CLST, their respective affiliates, officers, directors or employees may have used the information contained herein before publication and may have positions in, or may from time to time purchase or sell or have a material interest in any of the securities mentioned or related securities, or may currently or in future have or have had a business or financial relationship with, or may provide or have provided corporate finance/capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, you should be aware that CLSA and/or CLST and/or their respective affiliates, officers, directors or employees may have one or more conflicts of interest. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to research reports. Details of the disclosable interest can be found in certain reports as required by the relevant rules and regulation and the full details of conflict of interest with companies under coverage are available at http://www.clsa.com/member/research_disclosures/. Disclosures therein include the position of CLSA and CLST only. Unless specified otherwise, CLSA did not receive any compensation or other benefits from the subject company, covered in this report, or from any third party. If investors have any difficulty accessing this website, please contact webadmin@clsa.com. If you require disclosure information on previous dates, please contact compliance_hk@clsa.com.

Any disputes related to this report shall be governed by the laws of Hong Kong and to the non-exclusive jurisdiction of the courts of Hong Kong in connection with any suite, action or proceeding arising out of or in connection with this material. In the event any of the provisions in these Terms of Use shall be held to be unenforceable, that provision shall be enforced to the maximum extent permissible to reflect the intention underlying the unenforceable term, and the remainder of these General Disclaimer shall be unimpaired.

This report is distributed for and on behalf of CLSA (for research compiled by non-US and non-Taiwan analyst(s)), CLSA Americas, LLC (for research compiled by US analyst(s)) and/or CLST (for research compiled by Taiwan analyst(s)) in Australia by CLSA Australia Pty Ltd (ABN 53 139 992 331/AFSL License No: 350159); in Hong Kong by CLSA Limited (Incorporated in Hong Kong with limited liability); in India by CLSA India Private Limited, (Address: 8/F, Dalamal House, Nariman Point, Mumbai 400021. Tel No: +91-22-66505050. Fax No: +91-22-22840271; CIN: U67120MH1994PLC083118; SEBI Registration No: INZ000001735 as Stock Broker, INM000010619 as Merchant Banker and INH000001113 as Research Analyst; in Indonesia by PT CLSA Sekuritas Indonesia; in Japan by CLSA Securities Japan Co., Ltd.; in Korea by CLSA Securities Korea Ltd.; in Malaysia by CLSA Securities Malaysia Sdn. Bhd.; in the Philippines by CLSA Philippines Inc (a member of Philippine Stock Exchange and Securities Investors Protection Fund); in Singapore by CLSA Singapore Pte Ltd and solely to persons who qualify as an "Institutional Investor", "Accredited Investor" or "Expert Investor" MCI (P) 042/11/2022; in Thailand by CLSA Securities (Thailand) Limited; in Taiwan by CLST (for reports compiled by Taiwan analyst(s) or CLSA (for non Taiwan stock reports to CLSA clients) and in the European Economic Area ("EEA") by CLSA Europe BV and in the United Kingdom by CLSA (UK).

Hong Kong: This research report is distributed by CLSA Limited. This research report is distributed in Hong Kong only to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules promulgated thereunder) and may not be distributed to retail investors. Recipients should contact CLSA Limited, Tel: +852 2600 8888 in respect of any

matters arising from, or in connection with, the analysis or report.

Australia: CLSA Australia Pty Ltd ("CAPL") (ABN 53 139 992 331/AFS License No: 350159) is regulated by the Australian Securities and Investments Commission ("ASIC") and is a Market Participant of ASX Limited and Cboe Australia Pty Ltd. This material is issued and distributed by CAPL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party without the prior written consent of CAPL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. CAPL's research coverage universe spans listed securities across the ASX All Ordinaries index, securities listed on offshore markets, unlisted issuers and investment products which Research management deem to be relevant to the investor base from time to time. CAPL seeks to cover companies of relevance to its domestic and international investor base across a variety of sectors.

India: CLSA India Private Limited, incorporated in November 1994 provides equity brokerage services (SEBI Registration No: INZ000001735), research services (SEBI Registration No: INH000001113) and merchant banking services (SEBI Registration No: INM000010619) to global institutional investors, pension funds and corporates. CLSA and its associates may have debt holdings in the subject company. Further, CLSA and its associates, in the past 12 months, may have received compensation for non-investment banking services and/or non-securities related services from the subject company. For further details of "associates" of CLSA India please contact Compliance-India@clsa.com. Registration granted by SEBI and certification from NISM in no way guarantee performance of CLSA India Private Limited or provide any assurance of returns to investors. Compliance officer & Grievance officer: Neeta Sanghavi, Tel: 22 6650 5050. Email address of Compliance officer and Grievance cell: compliance-india@clsa.com.

Singapore: This report is distributed in Singapore by CLSA Singapore Pte Ltd to institutional investors, accredited investors or expert investors (each as defined under the Financial Advisers Regulations) only. Singapore recipients should contact CLSA Singapore Pte Ltd, 80 Raffles Place, #18-01, UOB Plaza 1, Singapore 048624, Tel: +65 6416 7888, in respect of any matters arising from, or in connection with, the analysis or report. By virtue of your status as an institutional investor, accredited investor or expert investor, CLSA Singapore Pte Ltd is exempted from complying with certain requirements under the Financial Advisers Act 2001, the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder (as disclosed in Part C of the Securities Dealing Services – Singapore Annex of the CLSA terms of business), in respect of any financial advisory services that CLSA Singapore Pte Ltd may provide to you. MCI (P) 042/11/2022.

United States of America: Where any section of the research is compiled by US analyst(s), it is distributed by CLSA Americas, LLC. Where any section is compiled by non-US analyst(s), it is distributed into the United States by CLSA (except CLSA Americas, LLC) solely to persons who qualify as "Major US Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934 and who deal with CLSA Americas, LLC. However, the delivery of this research report to any person in the United States shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. Any recipient of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting CLSA Americas, LLC.

The United Kingdom: This document is a marketing communication. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The document is disseminated in the UK by CLSA (UK) and directed at persons having professional experience in matters relating to investments, as defined in the relevant applicable local regulations. Any investment activity to which it relates is only available to such persons. If you do not have professional experience in matters relating to investments you should not rely on this document. Where research material is compiled by UK analyst(s), it is produced and disseminated by CLSA (UK). For the



purposes of the Financial Conduct Rules in the UK such material is prepared and intended as substantive research material. CLSA (UK) is authorised and regulated by the Financial Conduct Authority.

The European Economic Area ("EEA"): research is distributed by CLSA Europe BV, authorised and regulated by the Netherlands Authority for Financial Markets.

CLSA Securities Malaysia Sdn. Bhd (CLSA Malaysia)'s research coverage universe spans listed securities across the FBM KLCI Index, securities listed on offshore markets, unlisted issuers and investment products which Research management deem to be relevant to the investor base from time to time. CLSA Malaysia seeks to cover

companies of relevance to its domestic and international investor base across a variety of sectors.

For all other jurisdiction-specific disclaimers please refer to <https://www.clsa.com/disclaimer.html>. The analysts/contributors to this report may be employed by any relevant CLSA entity or CLST, which is different from the entity that distributes the report in the respective jurisdictions. © 2024 CLSA and/or CL Securities Taiwan Co., Ltd. ("CLST").

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.



Notes





Notes



Asian Corporate Governance Association

18th Floor, Wilson House
19-27 Wyndham Street
Central, Hong Kong

+852 2160 1788 | www.acga-asia.org