

ASX companies have inadequate corporate governance

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The 2007 BDO Kendalls Mid-Cap Corporate Governance report, released today, highlights a marked deterioration in governance across the mid-cap sector.

More than 40% of mid-cap companies listed on the ASX have corporate governance standards that are inadequate.

The report found that:

- Only 2 out of 150 companies are achieving best practice standards.
- 13 listed companies (8.7%) achieved the lowest possible score of one star on a scale of 0 to 5 stars.
- 32% of companies had a 2 star rating.

This was based on governance factors, including:

- Board composition and independence
- Auditor independence
- Having an independent audit
- Remuneration and nomination committees in place

"Most of these companies also have inadequate documentation in areas such as disclosure of related-party transactions or rigorous policies on risk management and share trading," the report said.

"The findings present a reasonably disappointing picture," BDO Kendalls director of risk advisory services, Andrew Pearce said.

The mid-cap rankings had deteriorated since the release of the 2006 Horwath Australia Mid-Cap Corporate Governance report, finding that:

- Less than 50% of companies have an independent chairman
- Only 25% have a majority of independent directors
- Almost 71% of mid-caps had a separate remuneration committee
- Less than 40% had a separately constituted nomination committee
- More than 50% did not have a majority of independent members.
- 14.7% of companies have no code of conduct.

Source: AAP

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