Guidelines for Corporate Governance Disclosure – are Australian listed companies conforming?

Susan L CONWAY
University of Tasmania
Locked Bag 1314
Launceston, Tas 7250
Australia
Phone: +61 6324 3068
Email: Susan.Conway@utas.edu.au

Abstract

This study explores the disclosure of corporate governance practices on company websites by Australian listed companies. Content analysis was applied to the websites of fifty Australian companies utilising a corporate governance disclosure index (CGDI). The CGDI was developed from the guidance for disclosure on websites provided in the ASX corporate governance guidelines. The level of conformance with the ASX recommendations for disclosure on websites was then compared to the level of adoption of ASX corporate governance recommendations for annual reports (as reported by the ASX). The level of disclosure on company websites did not match the level of adoption of recommendations. The reported adoption level for annual reports was higher than the disclosure level for company websites indicating that not all corporate governance practices are being disclosed on company websites. The interest of powerful stakeholders such as regulatory agencies may influence the level of conformance on company websites however the results are not conclusive. The varying level of disclosure on company websites highlights the need for monitoring by the ASX to enhance website disclosure.

Keywords

Voluntary disclosure, corporate governance, Australian listed company, ASX guidelines

1. Introduction

Web-based communication has become an important part of company reporting. The Australian Securities Exchange (ASX) has acknowledged the value of the internet as a business communication tool. The corporate governance guidelines developed by the ASX Corporate Governance Council (CGC) focus on disclosure of governance practices in annual reports but also include a requirement for information to be made available to the public, 'ideally on the company website'. The guidelines acknowledge a broad audience for corporate information listing 'shareholders, employees, customers, suppliers, creditors, consumers and the broader community' as interested parties (ASX CGC 2007, p.6). This requirement for public disclosure reflects an intention to address the information needs of the broader community. Since the implementation of the corporate governance guidelines in 2003, the ASX has conducted annual reviews of annual reports to evaluate the uptake of the recommendations (ASX 2010, p.2). However to date the uptake of disclosure recommendations on company websites has not been reported.

The omission of company websites from the annual review is a concern. In the past, Australian companies have provided limited corporate information on company websites (Chan & Wickramasinghe 2006, p.123; Khan 2007, p.44; Lodhia, Allam & Lymer 2004, p.69; Lymer & Debreceny 2002, p.105). Research based on other jurisdictions has indicated that a lack of monitoring of corporate governance disclosure can result in low levels of conformance to regulatory guidelines (Berglof & Pajuste 2005, p.182; Gandia 2008, p.811; Sayogo 2006, p.12; UNCTAD 2003, p.5). If the ASX has recommended public disclosure of governance practices then this information must be considered to have decision-making value to the community at large. Accordingly it should be expected that some form of monitoring would be in place to ensure access to the information recommended for disclosure. While the annual review made reference to company websites, the review did not discuss the level of disclosure on company websites (ASX 2010, p.2). This paper responds to this apparent gap in knowledge by comparing the disclosure of corporate governance practices on the websites of Australian listed companies to the recommendation for information to be 'made publicly available' as specified in the ASX Corporate Governance Principles and Recommendations 2007. The study contributes by providing an examination of the response to the ASX corporate governance guidelines for corporate governance disclosure on company websites within the Australian jurisdiction.

The paper is structured as follows; the following section explains the theoretical perspective of corporate governance adopted. This is followed by a review of literature addressing corporate governance disclosure on company websites. The key research question and propositions are then developed followed by an explanation of the research design, results and discussion. The paper concludes with suggestions for further research.

2. Corporate governance – a theoretical perspective

Corporate governance reporting has been the subject of many studies, with a range of interpretations of the rationale of governance reporting. A narrow perspective focusses on the relationship between a company and its owners, the shareholders. By contrast a broader perspective considers 'explicit and implicit' relationships between the company and its stakeholders, the community at large including shareholders (Psaros 2009, p.6). The ASX corporate governance guidelines adopted a normative stakeholder approach which acknowledges the importance of multiple stakeholders (ASX CGC 2007, p.3). The guidelines support an ethical approach to decision-making recommending consideration of all stakeholders under *Principle Three: Promote ethical and responsible decision-making.* Principle Three specifically refers to disclosure of financial, social and environmental governance policy and practices. Accordingly, this study adopted the broader perspective of corporate governance (Solomon 2007, p.19), the need to create long term sustainable value and be accountable in the interest of all stakeholders.

Research into voluntary disclosure from this perspective has applied legitimacy and stakeholder theory with some success (Deegan 2006; p.301; Solomon 2007, p.20). In particular, managerial stakeholder theory has been considered more rigorous, as this approach recognises the perceived influence of powerful stakeholders such as government and regulatory bodies, in addition to shareholders (Cormier, Gordon & Magnan 2004; p.143; Harvey & Schaefer 2001, p.243). Hence, the disclosure of corporate governance practices on company websites has been considered from a managerial stakeholder perspective.

3. Corporate disclosure on company websites

Worldwide the internet has been endorsed as a tool to enhance corporate governance reporting. Internet technology has enabled dissemination of corporate information to a broader community of stakeholders (OECD 2004, p.56; UNCTAD 2003, p.3). For example, security regulators in Canada and the USA have established electronic websites to provide open access to mandated reports (Lymer & Debreceny 2002, p.104) and in the UK, companies can disclose information on the company website to meet the statutory reporting requirements (Beattie & Pratt 2003, p.161). Many jurisdictions, including Australia, have included recommendations for disclosure of corporate governance on company websites (ASX CGC 2007, p.15; Beattie & Pratt 2003, p.161; Ettredge, Richardson & Scholz 2002, p.358).

While regulators have promoted corporate reporting on the internet the use of company websites for corporate governance disclosure has been patchy. Studies of corporate governance reporting found the type of governance information provided on company websites and the level of reporting has been highly variable across and within jurisdictions (Berglof & Pajuste 2005, p.178; Dutta & Bose 2007, p.29; Gandia 2008, p.20; Grzybkowski & Wojcik 2006, p.5; Khan 2007, p.37; Sayogo 2006, p.12). Khan's (2007) study, spanning 30 countries, found inconsistent levels of corporate governance reporting. These results are supported by country specific research from the UK and Poland (Grzybkowski & Wojcik 2006), India (Dutta & Bose 2007), Central and Eastern Europe (Berglof & Pajuste

2005), Spain (Gandia 2008) and Indonesia (Sayogo 2006). The studies identified low levels of corporate governance practices disclosure on company websites and suggested that the lack of monitoring may explain the findings.

The level of disclosure on websites may also be influenced by the overall disclosure practices of the company. Gandia's (2005, p.791) investigation of corporate governance disclosure, by Spanish companies, identified a trend between the level of disclosure on company websites, and the level of reporting by traditional means. That is, companies rated higher for reporting in annual reports were more likely to use the internet as a medium for disclosure of corporate governance information. This is supported by financial disclosure research (Ashbaugh, Johnstone & Warfield 1999, p.254; Ettredge, Richardson & Scholz 2002, p.367). Ettredge, Richardson and Scholz (2002, p.367) proposed that companies developed 'disclosure personalities' with good traditional reporters making the most use of websites for financial reporting. However this practice has not been evident in Australia.

Australian companies have demonstrated a high level of disclosure of corporate governance practices in annual reports but limited reporting on websites (ASX 2010, p.2; Collett & Hrasky 2005, p.188; Ramsay & Hoad 1997). The ASX review of corporate governance disclosure has identified high levels of reporting in annual reports. Since 2004, the ASX has conducted reviews of annual reports to determine compliance with the Listing Rules, in particular Listing Rule 4.10.3 (ASX 2010).

> ASX Listing Rule 4.10.3 requires entities to disclose in their annual reports the extent to which they have followed the Recommendations If they have not followed the recommendations they should identify the recommendations not followed and explain why they were not followed.

The ASX examine all annual reports based on financial year end. The report for the financial year ending 30 June 2008 indicated a steady improvement in reporting levels for all entities to 96.4%. It should be noted that the result included 'if not, why not' explanations and the reported adoption of recommended practices was somewhat lower at 79%. However the adoption reporting levels for the top 500 listed entities was still high and had increased from 86% in 2005 to 90% in 2008 (ASX 2009a, p.3).

Lodhia, Allam and Lymer (2004) investigated reporting of financial and annual report attributes on the websites of the top fifty Australian listed companies. The study found limited voluntary disclosure with a large number of companies simply reproducing mandatory annual report information on the company website. Chan and Wickramasinghe (2006) investigated voluntary disclosure of governance and financial information on company websites for the first and last forty companies included in the top 500 Australian listed companies. They found that of the sample companies (69), nearly one-third (22) had not provided governance or financial information on the website (Chan & Wickramasinghe 2006, p.135). The results from Lodhia, Allam and Lymer (2004) and Chan & Wickramasinghe (2006) conflict with findings from other jurisdictions which related a high level of traditional reporting to a high level of corporate disclosure on company websites (Ashbaugh, Johnstone, & Warfield 1999, p.251; Ettredge, Richardson & Scholz 2002, p.358; Gandia, 2005, p.20). The studies conducted by Lodhia, Allam and Lymer (2004) and Chan and Wickramasinghe (2006) used data collected in 2001 and 2000 respectively. Longitudinal studies have indicated that the use of company websites for reporting has increased over time (Heinze & Hu 2006, p.313) therefore it might be expected that the level of corporate disclosure on Australian company websites may have changed.

4. Research question and development of propositions

The ASX corporate governance guidelines include specific recommendations for disclosure of corporate governance practices on company websites. While prior studies have considered aspects of governance no study has considered all the recommendations for websites disclosure included in the guidelines. Therefore this study sought to question if Australian listed companies are conforming to the ASX recommendations for the disclosure of corporate governance information on company websites.

It was anticipated that the level of disclosure on company websites would be variable. Prior research on corporate governance disclosure, on company websites, indicated either limited or variable levels of disclosure. In other jurisdictions it has been suggested that the lack of monitoring resulted in lower levels of conformance with governance disclosure recommendations for company websites (Berglof & Pajuste 2005, p.185). Given that the reporting of corporate governance practices has not been monitored on the internet it is anticipated that the level of conformance with the recommendations for disclosure on company websites will be lower than the ASX reported level of adoption of corporate governance practices shown in annual reports. The following proposition will be investigated.

Proposition One: The level of conformance with the ASX disclosure recommendations for company websites will be lower than the level of adoption of the ASX guidelines for corporate governance practices (as reported by the ASX).

Further, it was considered that the interests of powerful stakeholders could influence the level of disclosure on company websites given that for some companies the ASX Listing Rules create an implicit requirement to disclose information on company websites.

The ASX Listing Rule 12.7 specifies that companies listed on the S&P/ASX 300 Index must have an audit committee and must comply with all recommendations in relation to audit committees in the ASX Corporate Governance Principles and Recommendations August 2007. The guidance, under *Principle Four Safeguard integrity in financial reports*, recommends that the audit committee charter and audit procedures ‘should be made publicly available ideally by posting to the company website’ (ASX 2010; ASX CGC 2007). The regulators interest has been shown to influence voluntary disclosure of environmental and social practices (Cormier, Gordon & Magnan 2004, p.143; Harvey & Schaefer 2001, p.243). Therefore it is expected that the companies listed in the top 300 will have disclosed the required audit committee information on the company website and that the interest in audit practices will influence the overall level of voluntary disclosure on company websites. It is expected that the level of disclosure on websites of companies listed in the top 300 will be higher. A further proposition to be investigated is as follows.

Proposition Two: ASX listed companies, in the S&P/ASX 300 Index,will have a higher level of conformance with the ASX disclosure recommendations for company websites than ASX listed companies not included in S&P/ASX 300 Index.

5. Research design

A random sample of fifty companies was selected from the top 500 to align with the target group of the annual reporting reviews conducted by the ASX (ASX 2010). A listing of the sample companies is provided in Appendix 1. The ranking was in accordance with the listing by the S&P/ASX 500 Index, as at 1 January 2009. The content of each company’s website was downloaded and stored over the period 22 to 26 January 2009. The sample of companies was divided into two strata to enable testing of the second proposition. Thirty companies were selected from the top 300 companies and the remaining twenty from the top 301-500 grouping of companies. The sample size chosen was considered appropriate as it was consistent with prior studies on company websites (Chan & Wickramasinghe 2006; Grzybkowski &Wojcik 2006; Lodhia, Allam & Lymer 2004; Sayogo 2006).

The review of the websites was conducted by applying content analysis. This approach has been applied in prior studies investigating website disclosure, conducted in Central and Eastern Europe (Berglof & Pajuste 2005) and Indonesia (Sayogo 2006). Different equity markets have significantly different disclosure requirements (UNCTAD 2006) accordingly the disclosure index for this study was based on the recommendations for disclosure on company websites included in the guidelines provided by the Australian securities regulator, ASX.

The ASX Corporate Governance Principles and Recommendations 2007 include disclosure recommendations documented in 'The Guide to Reporting' in the last recommendation for each of the eight Principles. The guide for each Principle includes a list of items to be made publicly available 'ideally by posting to the company's website in a clearly marked corporate governance section' (ASX CGC 2007, p.15). In total there are thirteen recommended disclosure items which formed the corporate governance disclosure index (CGDI) for this study. A listing of the items is provided in Appendix 2. Each Principle stated that the information should be provided in 'a clearly marked corporate governance section'. This was considered an integral component of the reporting process; therefore the presence of a corporate governance section was reviewed separately to the CGDI.

The intention of this study was to identify the presence of reported items to determine the level of conformance for each Principle. First the CGDI was applied based on binomial scoring of 1, for each item present, and 0, if not present. The result for each item was calculated to provide the proportion of reporting companies for all top 500 sample companies, the sample companies in the top 300 group and the sample companies listed in the top 301-500 group. The average level of reporting for each Principle was calculated by allocating a score of 1, to each sample company, if all items recommended for that Principle were present or 0, if any of the listed items were not present. This process is consistent with the approach adopted by the ASX review of 'information-based' recommendations (ASX 2010, p.15).

A binomial measurement was adopted to align with the measurement and evaluation adopted for the annual ASX review of conformance with disclosure recommendations in annual reports. The percentage score was calculated to enable comparison between the dissimilar sized groups and comparison to the ASX results. The results of the content analysis for the sample companies were compared to the adoption levels reported in the ASX review of companies for year ending June 2008[1] and December 2008, being 90% and 89% respectively. The results for adoption of corporate governance practices have consistently improved over time (ASX 2009a, 2009b) therefore the previous results for 2008 should be indicative of the expected level of adoption by January 2009.

The results were also compared to the review for the year ending June 2009. The June 2009 review was the first review to apply the revised 2007 guidelines and also the first review to differentiate between 'practice-based' recommendations and 'information-based' re-commendations

[1] The 30 June review includes all entities with a financial year end other than 31 December (ASX 2010, p.1).

(ASX 2010, p.2). Practice based recommendations relate to 'the establishment of certain corporate governance practices or structures which the entity is required to report against in its annual report' whereas the information-based recommendations relate to 'the specific reporting on or disclosure of the information' (ASX 2010, p 2) provided as the last recommendation for each of the eight Principles. Therefore this review enabled the comparison of the information-based recommendations for annual reports and company websites. While there was a timing difference between the collections of data on websites and the reviews it was not considered an issue. The effective date of the revised recommendations was the first financial year starting on or after 1 January 2008 therefore all companies should have commenced conformance with the new recommendations during 2008. It is unfortunate that the June 2009 review did not include results for the top 500 companies. The review only provided details of the results for the 'top 300 companies' and 'all entities'. For evaluation purposes the results from this research were compared to the results for all 'entities'. In the past the results for all entities have traditionally been lower than the results for the top 500. The results of the 2009 ASX review are provided in Appendix 2.

The structure of websites can vary significantly (Perry & Bodkin 2000, p.87). To counter this, websites were examined systematically to apply the disclosure index in a consistent manner. The systematic review and coding rules were developed based on an examination of a random selection of the websites of companies not included in the sample. The review process and coding rules were tested by two independent coders.

Online text and all downloadable information, other than annual reports, were considered for the review. What was of interest were disclosures 'on the face' of each webpage. The information contained in downloadable annual reports was not examined unless a direct link to information relating to a listed CGDI item was provided on the website. While annual reports contain significant information relating to corporate governance, the use of company websites is intended to enhance the disclosure in annual reports (ASX CGC 2007). Therefore, the purpose of this study was to identify website disclosure that adds to or enhances the information made available in annual reports.

6. Results and discussion

The content analysis of the sample company websites assigned a percentage level of disclosure by each item and each Principle. The results from the content analysis are provided in Appendix 2. In addition it was noted that 42 of the 50 sample companies provided the recommended corporate governance section on the company's website as shown in Appendix 1. The study findings are now discussed in relation to the two propositions.

Proposition One: The level of conformance with the ASX disclosure recommendations for company websites will be lower than the level of adoption of the ASX guidelines for corporate governance practices (as reported by the ASX).

The first proposition suggested that the level of conformance with the ASX disclosure recommendations for company websites would be lower than the level of adoption of the ASX guidelines for corporate governance practices. The results for this proposition were assessed based on the average percentage of companies disclosing all items for each Principle compared to the level of adoption reported by the ASX. While 84 % (42 of 50) provided a corporate governance section, the average level of conformance with the reporting recommendations for all Principles was 61% of the sample companies. This is considerably lower than the adoption levels of 89% and 90 % reported by the ASX for 2008. It is also considerably lower than the 87% reporting level for 'information-based recommendations' disclosed in annual reports reported for year ending June 2009 (ASX 2010) refer Appendix 2. Therefore Proposition One is supported. The results for each Principle were analysed to pinpoint where the main differences occurred.

The website results for each Principle were generally lower than the reported adoption of corporate governance practices in annual reports except for *Principle One: Lay solid foundation for management and oversight*. The reporting result for Principle One, 88%, was comparable to the 89 and 90% adoption results indicating that the companies with the practices in place are reporting on those practices. However for this Principle the ASX 2009 review indicated high levels of reporting for 'practice-based' recommendations but a lower level of reporting for the 'information-based' and suggested that more detailed information relating to delegations to and evaluation of senior executives was lacking (ASX 2010). This lack of detail was repeated in the disclosure evidenced on the websites. The most striking examples appeared for *Principle Two: Structure the board to add value*, *Principle Four: Safeguard integrity in financial reporting* and *Principle Eight: Remunerate fairly and responsibly*.

The overall level of conformance on websites for Principle Two was less than half the conformance level for annual reports, being 40% and 83%, respectively. While 72% of the companies provided a 'charter of the nomination committee or summary of roles, rights, responsibilities and membership' and 70% provided 'procedure for the selection and appointment of new directors …'; the result impacted on by the low level of disclosure of 'board policy for the nomination and appointment of directors'. Only 44% of companies disclosed this information.

A similar result emerged for Principle Four. The level of conformance for websites, 46%, was much lower than the conformance with annual report recommendations, 89%. While 86% of companies had provided the audit committee charter, only 46% included information on ‘procedures for the selection and appointment of the external auditor and the rotation of external audit engagements’.

Principle Eight resulted in the lowest level of reporting on company websites. Only 8% of companies provided ‘a summary of the company’s policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes’. The conformance in annual reports for Principle Eight was 77%.

Overall the results indicated that while a larger proportion of companies were conforming to components of the recommended disclosure, the information provided by companies did not contain the level of detail recommended by the ASX guidelines.

The reporting recommendations for annual reports and company websites differ, therefore a comparison of the results should be considered with care. While the annual report disclosure requirements include a ‘comply or explain’ provision, there is no similar option for company websites. Therefore non-conforming companies may have fully explained non-conformance in the annual report and have no further information to disclose on the website.

7. Non-disclosing companies

To test this logic the non-disclosing companies were checked to determine if they had adopted the recommendations from the ASX guidelines. Three important areas of governance are the nomination and remuneration practices for board members and the oversight of financial reporting by board members. The ASX ‘practice-based’ Recommendations suggest the following committees be established: nomination committee (Principle Two, Recommendation 2.4), audit committee (Principle Four, Recommendation 4.1), and remuneration committee (Principle Eight, Recommendation 8.1).

The presence of any of the committees would provide a rationale for disclosure on the company website. Accordingly the annual reports of the non-disclosing companies were checked for the existence of the recommended committees.

Four of the non disclosing companies reported the existence of at least one of the recommended committees in their annual reports; in fact two non disclosing companies had all three committees in place. The presence of the committees indicated that the absence of any relevant disclosure on the websites for these companies did not relate to the lack of recommended practices being in place. Therefore the identified deficit of detail noted earlier may not be due to the lack of policy, procedures or processes being in place. ASX’s lack of attention to disclosure on company websites appears to have resulted in companies selectively disclosing aspects of corporate governance practices.

It is also interesting to note that three of the non-disclosing companies were listed in the top 300. The top 300 companies are required by ASX Listing Rule 12.7 to have an audit committee in place and comply with all the recommendations in the ASX guidelines including disclosure recommendations (ASX 2010; ASX CGC, 2007). While each company had the requisite audit committee, the companies were potentially in breach of ASX Listing Rule 12.7 by not providing the information on the company website.

Proposition Two: ASX listed companies, in the S&P/ASX 300 Index, will have a higher level of conformance with the ASX disclosure recommendations for company websites than ASX listed companies not included in S&P/ASX 300 Index.

The second proposition suggested that the level of conformance with the recommendations for company websites would be influenced by the requirement for complete conformance with *Principle Four: Safeguard integrity in financial reporting* as per the ASX Listing Rule 12.7. The assessment of this proposition was based on the percentage of companies disclosing each item as shown in Appendix 2.

The average level of disclosure for each item by the total sample of companies was 68%. The results for the two strata of companies differed from the average level of disclosure for the top 300 and top 310-500, being 75% and 58%, respectively. A Mann Whitney U Test was conducted to test for significant difference. The results (U=189.5, p=0.025) indicated a significant difference, at the 0.05 level, between the disclosure levels of the two groups. The results indicate support for Proposition Two. A further comparison of the level of disclosure of each item was undertaken to identify the areas of difference.

The level of disclosure consistently varied between the two groups with the top 300 maintaining a higher percentage of companies disclosing for all items. Some of the items had high levels of reporting for both groups. For example results for Disclosure Items P1.1, P3.1, P3.2 and P4.1 were 80% or above for both groups. *Principle Three: Promote ethical and responsible decision-making* which incorporates the interest of the broader stakeholder community resulted in the least variation between the two groups. This result suggests that the interest of the broader stakeholder community may have influence on the level of disclosure.

By comparison, the results for *Principle Four: Safeguard integrity in financial reporting*, which incorporates the audit recommendations, are varied. The percentage of companies disclosing an audit committee charter (Disclosure Item P4.1) was high for both groups of companies with results for the top 300 and top 301-500 90% and 80%, respectively. However the procedures for the selection and appointment of the external auditor

(Disclosure Item P4.2) had a lower result for both groups. Only 60% of the top 300 companies provided this information on the company website indicating 40% not conforming to the guidelines. The top 301-500 group levels of disclosure were much lower with only 25% of companies providing this information.

The disclosure of audit committee practices was of particular interest given that the top 300 companies are required to have an audit committee in place and must comply with the recommendations in relation to audit policies and practices under ASX Listing Rule 12.7 (ASX 2010; ASX CGC 2007). This result adds to the support for the proposition that the additional requirements for the top 300 companies to comply with the ASX guidelines in relation to audit committees, may influence the percentage of companies disclosing corporate governance information. However the fact 40% of the top 300 companies did not comply with an implicit audit disclosure requirement suggests that the lack of monitoring by the ASX may be contributing to the lower level of disclosure.

The results indicated that the listing rule requirements for the top 300 influence the level of conformance with the ASX reporting recommendations; however there may be other factors of influence. Prior literature (Chan & Wickramasinghe 2006; Lodhia, Allam & Lymer 2004) identified that company size is related to the level of disclosure. The number of items disclosed by each company was tested for correlation with market capitalisation, as a measure of size of the companies, by applying a Spearman's rank correlation test. The test indicated a strong significant positive relationship at the 0.05 level between market capitalisation and the percentage level of governance reporting (rho=0.398, $p<0.005$) supporting the argument that larger companies tend to have a higher level of reporting. Therefore differences between the groups may be related to a number of factors including different audit committee requirements and company size.

8. Conclusion

Corporate governance disclosure on company websites is voluntary in Australia. The ASX has adopted a 'comply or explain' approach to corporate governance reporting in annual reports but relying on voluntary reporting to enhance disclosure in other mediums (ASX CGC 2007). This approach allows companies considerable discretion in the nature and content of corporate disclosure on websites. The literature, investigating corporate governance disclosure in other countries, suggested that the lack of enforcement of regulations or monitoring had the potential to result in reduced corporate governance reporting (Berglof & Pajuste 2005; Khan 2007). While the ASX has conducted an annual review of corporate governance reporting in annual reports since 2004, the corporate governance disclosure on the websites of Australian listed companies has not been monitored.

The ASX has continually reported a high level of corporate governance practice disclosure in annual reports. The comparison of the results from the ASX review and this study suggested companies are continuing to place greater reliance on annual reports as a disclosure medium. The sample companies' response to the ASX disclosure guidelines for company websites is clearly variable. A significant difference was noted between the level of reporting for the companies from the top 300 and the balance of the sample examined. This could be due to the additional listing requirements or the company size; the results were not conclusive. If the ASX has a commitment to the disclosure recommendations for company websites as listed in the ASX guidelines, then the regulatory body should expand the annual review to include website disclosure and if relevant take action to encourage the recommended disclosure. Or alternately as the disclosure varied from the disclosure requirements the ASX should review the current guidelines to determine relevance to reporting companies and the stakeholder community. It is of interest to note that, in the more recent reviews of corporate governance disclosures in annual reports, the ASX has divided the recommendations into 'practice-based' and 'information-based' recommendations to enable greater scrutiny of conformance with the provision of information. The reviews have also shifted focus from the top 500 companies to the top 300 companies (ASX 2010) perhaps to gain more insight into conformance with the Listing Rules.

The study adds to the sparse literature in this area. The results revealed that disclosure by the sample companies was not in conformance with ASX guidelines for company websites. While the results suggest that the sample companies may be providing information to stakeholders other than shareholders on company websites this will require further qualitative research to confirm.

As with any study there were a number of limitations that need to be discussed. The sample selected was restricted to the top 500 companies listed on the ASX. Therefore the results cannot be generalised to the larger population of all Australian listed companies. In addition the application of content analysis for this study involved subjective judgment on the part of the coders.

There are a number of directions future research could take. This study focused on the level of conformance with ASX guidelines and identified that the use of company websites was less than comprehensive. The results for this study contrasted with the reporting results announced by the ASX in the annual review of annual report disclosure. Therefore a comparison of the reporting practices in annual reports and on company websites for individual companies would provide a more holistic overview of company reporting practices. A qualitative analysis of the corporate governance disclosures would enhance the results of this study.

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Appendix 1

Sample companies and disclosure levels

Market Capitalisation Ranking	Company Name	CG section
2	Westpac Banking Corporation	Y
3	Telstra Corporation Limited	Y
16	St. George Bank Limited	N
63	Cochlear Limited	Y
93	Aristocrat Leisure Limited	Y
99	Arrow Energy Limited	Y
102	United Group Limited	Y
125	Aquarius Platinum Limited	Y
131	Campbell Brothers Limited	Y
133	West Australian Newspapers Holdings Ltd	Y
151	Air New Zealand Limited	Y
158	Flight Centre Limited	Y
161	Linc Energy Ltd	Y
163	Whitehaven Coal Limited	N
169	Corporate Express Australia Limited	Y
174	Futuris Corporation Limited	Y
180	Australian United Investment Company Limited	Y
185	Bunnings Warehouse Property Trust	Y
187	Octaviar Limited	Y
206	Carlton Investments Limited	N
225	Newmont Mining Corporation	Y
232	Transfield Services Infrastructure Fund	Y
237	Gindalbie Metals Ltd	Y
240	Mineral Resources Limited	Y
250	National Hire Group Limited	Y
257	CuDeco Limited	Y
259	White Energy Company Limited	Y
270	Challenger Diversified Property Group	Y
282	Technology One Limited	Y
295	Servcorp Limited	N
301	Pan Pacific Petroleum NL	N
302	Sunland Group Limited	Y
309	iiNET Limited	Y

339	Reckon Limited	Y
344	AED Oil Limited	Y
346	Apex Minerals NL	Y
358	Photon Group Limited	Y
366	Warrnambool Cheese and Butter Factory Company	Y
376	Brockman Resources Limited	Y
387	Templeton Global Growth Fund Ltd	Y
418	Treasury Group Limited	Y
426	Boom Logistics Limited	Y
428	Entertainment Media and Telecoms Corporation Ltd	N
450	WAM Capital Limited	N
452	Hunter Hall International Limited	Y
465	Viridis Clean Energy Group	Y
468	Intrepid Mines Limited	Y
472	Data3 Limited	Y
474	Flinders Mines Limited	Y
498	Victoria Petroleum NL	N

Appendix 2

Website coding results for Corporate Governance Disclosure Index (CGDI) and ASX Annual Report results (ASX 2010).

Disclosure item	Website results			Annual report ASX result		
	% companies disclosing items			% companies disclosing all items for each Principle		
	Top 300	Top 301-500	Top 500	Top 500	Top 300	All entities
Principle 1 Lay solid foundation for management and oversight						
P1.1 Statement of matters reserved for the board, or board charter or the statement of areas of delegated authority to senior executives	90%	85%	88%	88%	85%	81%
Principle 2 Structure the board to add value						
P2.1 Procedure for the selection and appointment of new directors and the re-election of incumbent directors	83%	50%	70%	40%	88%	83%
P2.2 Board's policy for the nomination and appointment of directors	53%	30%	44%			
P2.3 Charter of the nomination committee or summary of the role, rights, responsibilities and membership	80%	60%	72%			
Principle 3 Promote ethical and responsible decision making						
P3.1 Code of conduct or a summary	87%	85%	86%	80%	93%	97%
P3.2 Trading policy or a summary	83%	80%	82%			
Principle 4 Safeguard integrity in financial reporting						
P4.1 Audit committee charter	90%	80%	86%	46%	96%	89%
P4.2 Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.	60%	25%	46%			
Principle 5 Make timely and balanced disclosure						

<table>
<tr><td>P5.1 Policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements</td><td>87%</td><td>60%</td><td>76%</td><td>76%</td><td>97%</td><td>93%</td></tr>
<tr><td colspan="7">Principle 6 Respect the rights of shareholders</td></tr>
<tr><td>P6.1 Description of communication process with shareholders</td><td>83%</td><td>55%</td><td>72%</td><td>72%</td><td>97%</td><td>94%</td></tr>
<tr><td colspan="7">Principle 7 Recognise and manage risk</td></tr>
<tr><td>P7.1 Summary of the company’s policies on risk oversight and management of material business risks</td><td>83%</td><td>70%</td><td>78%</td><td>78%</td><td>90%</td><td>90%</td></tr>
<tr><td colspan="7">Principle 8 Remunerate fairly and responsibly</td></tr>
<tr><td>P8.1 Charter of the remuneration committee or summary of the role, rights, responsibilities and membership requirements</td><td>83%</td><td>75%</td><td>80%</td><td rowspan="2">8%</td><td rowspan="2">84%</td><td rowspan="2">77%</td></tr>
<tr><td>P8.2 Summary of the company’s policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes</td><td>10%</td><td>5%</td><td>8%</td></tr>
<tr><td>AVERAGE PERCENTAGE</td><td>75%</td><td>58%</td><td>68%</td><td>61%</td><td>N/A</td><td>87%</td></tr>
</table>