APPENDIX: RESPONSES TO SELECT CONSULTATION QUESTIONS

Consultation question	ACSI response
Question 5: What would make public markets in Australia more attractive to entities seeking to raise capital or access liquidity for investors while maintaining appropriate investor protections?	ACSI notes that a range of factors influence companies' decisions on whether to list on a public market. Relevant considerations include macroeconomic conditions, the depth and diversity of the investor base, market liquidity, research coverage, company governance standards and the relative availability of private capital. ASIC Report 807 presents academic research which suggests that regulatory costs are only a small contributor to the decline in the number of listed companies in the United States. Supporting a similar conclusion for Australia, the report notes that "no substantial [regulatory] changes coincide with the decline in IPOs and increase in de-listings in 2022-2024". Recent research from the UK also finds that deregulation is not the key reason for declining listings, as some more 'attractive' markets are potentially more regulated. It finds that valuations tied to deeper liquidity and expertise are more important measures. Institutional frameworks in public equity markets which support shareholder rights and strong company governance are appealing for investors. Therefore, while ACSI would assess any specific reform proposal on its merits, we believe it would be counterproductive to weaken key shareholder protections.
Question 7: To what extent is any greater expectations of public companies, compared to private companies, the result of Australian regulatory settings or the product of public scrutiny and community expectations of these companies?	As set out above, many regulatory obligations and shareholder expectations similarly apply to unlisted companies, although processes may be less publicly visible, and they may rightly operate differently given differing market attributes. While there are regulatory requirements associated with listing (such as those set out in the listing rules) it is challenging to isolate whether, in fact, there are greater expectations for listed entities, or whether the additional scrutiny reflects the more visible interaction those entities have with their stakeholders (for example their customers or employees). In any event, ACSI believes that strong corporate governance, upheld by both regulatory obligations and investor stewardship, are ultimately in the long-term financial interests of companies. As noted in ASIC Report 807, "consideration should be given not just to the costs of a rigorous governance framework but also the benefits of additional monitoring for strategic decision making." *Regulation* Appropriately targeted laws and regulations can promote company (both listed and unlisted) behaviour which is aligned with the long-term interests of shareholders and the broader economy. Many key company obligations, including directors' duties, are not specific to listing status. Similarly, some new obligations such as mandatory climate reporting obligations, apply based on organisation size rather than listing status. Additional obligations in listed markets are appropriate to protect shareholder rights and maintain market integrity (e.g. the ASX Listing

	Rules). The ASX Corporate Governance Principles and Recommendations also promote sound governance in the long-term interests of companies. Importantly, these Recommendations are not rigid. The 'if not why not' expectation allows for flexibility to reflect companies' unique circumstances. This is a balanced approach which promotes the provision of valuable information to investors, while maintaining appropriate flexibility for listed entities to adopt practices that are suitable for their particular needs. It is also important to recognise that concepts of good governance are not exclusive to listed markets. A central concept is that good governance should be fit for its purpose. Our members implement governance frameworks in their private markets assets that reflect appropriate governance protections. These provisions can be similar to that found in listed markets, though adapted so as to be fit for purpose for each entity. Accordingly, while there are some additional governance-related provisions that operate in listed markets, our view is that they offer an appropriate balance, given the broader shareholder base that is usually present in listed markets, the access to capital that the listed markets provide and that the basis upon which the provisions operate (i.e. 'if not why not' disclosure) allows flexibility for listed entities to adopt the practices that are appropriate to them.
Question 14: What additional transparency measures relating to any aspect of public or private markets would be desirable to support market integrity and better inform investors and/or regulators?	ACSI's observation of the Australian listed equity market over many years has highlighted opportunities to enhance transparency. Clear and timely company disclosures are an essential feature of efficient public markets. Potential reforms include: 1. *Clarifying expectations on disclosure of workplace fatalities of employees, contractors and members of the public by listed companies.* Currently, workplace fatalities are not disclosed in a consistent way by listed companies. Historically, some companies have provided notification of fatalities as an ASX announcement whereas others have provided a public statement or disclosed in a later periodic report. Investors would benefit from consistent and timely reporting on these incidents, as, in addition to the obvious human toll, safety outcomes are linked to management of a company, its operational performance and its culture, which all contribute to financial sustainability. 2. *Enhanced requirements for listed companies to disclose related-party transactions.* Currently, many Australian listed companies have a relatively narrow interpretation of accounting standards which require disclosure of related-party transactions. This leaves many related-party transactions unreported, such as the employment of directors' or executives' close relatives. Investors see this information as an indicator of management and governance quality.

	Reforms could align the Australian market more closely to requirements in the United States, which explicitly require disclosure in a broader range of circumstances.