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ASX Corporate Governance Council

## COMMUNIQUE

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### **ASX Corporate Governance Council releases Consultation Draft on fifth edition Corporate Governance Principles and Recommendations**

The ASX Corporate Governance Council (the “Council”) – an independent body consisting of 19 members – has today released the Consultation Draft for the fifth edition of its Corporate Governance Principles and Recommendations (“Principles and Recommendations”).

First convened in August 2002 to bring together various business, investor and industry groups on best practice governance, the Council has continued to be a leading body in providing insights and guidance related to governance for listed entities.

Updating the Principles and Recommendations is a key task of the Council and the Consultation Draft represents the combined efforts of the various Council members in developing the document that provides an anchoring point for which submissions can be made to support the development of the final Principles and Recommendations document. This fifth edition Consultation Draft gives consideration to evolving investor and community expectations on issues including corporate conduct, culture, risk management, stakeholder relationships, reporting, and remuneration.

#### **Elizabeth Johnstone, Chair of the ASX Corporate Governance Council said:**

“Since the establishment of the Council more than 20 years ago as an independent body, our members have assisted with the preparation of this document, bringing a wide range of perspectives and representing a large number of stakeholders.

“We’re pleased to release the Consultation Draft for the fifth edition today, and encourage feedback from all stakeholders. The amendments in the fifth edition take into account developments in public policy and regulation, and evolving community expectations.

“I would like to express my appreciation to the Council members for their significant contributions in maintaining the Principles and Recommendations as a leading standard on corporate governance for listed entities.”

#### **Summary of key changes in the Consultation Draft:**

- Eight core principles have been retained, with some proposed changes to expression.
- The Consultation Draft contains 33 general recommendations, and seven additional recommendations that only apply in limited cases (for example, to entities established outside Australia). This compares to the 4th Edition’s 35 general recommendations, and three additional recommendations that only apply in limited cases.
- Several general recommendations have been removed where there is significant regulation by, or duplication in, Australian law.

- Enhancements to the layout and expression of the document. Some language has been simplified and further clarity given where there has been evidence of limited disclosure quality.

**The new recommendations or updated disclosure expectations broadly relate to:**

- Disclosure of board skills and diversity, and related processes.
- The interests of a listed entity's key stakeholders and how the entity engages with them.
- Non-executive directors not receiving performance-based remuneration or retirement benefits.
- Performance-based remuneration clawback provisions for senior executives.
- Disclosure of the outcomes of code of conduct breaches (on a de-identified basis).
- Disclosure of verification processes for periodic reports, as well as auditor tenure review processes.
- Disclosure of a listed entity's material risks, as assessed by the entity, rather than specific material environmental and social risks.

The Council welcomes submissions from all interested parties on the proposed changes to the Principles and Recommendations. The closing date for submissions is **Monday 6 May 2024**.

The Council's consultation package is available on the ASX Corporate Governance Council's [webpage](#) and includes:

- the consultation draft of the fifth edition of the Principles and Recommendations; and
- a background paper and consultation questions.

It is currently envisaged that the Council will release the final version of the fifth edition of the Principles and Recommendations early in calendar 2025, to potentially take effect for financial years commencing on or after 1 July 2025, subject to stakeholder consultation.

The Council will be conducting a national road show during the consultation period to inform and seek feedback from listed entities and other interested stakeholders about the proposed changes to the Principles and Recommendations.

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**About the Council**

The Council was convened in August 2002. It brings together various business, shareholder and industry groups, each offering valuable insights and expertise on governance issues from the perspective of their particular stakeholders. Its primary work has been the development of the Principles and Recommendations.

The Principles and Recommendations were first introduced in 2003. A second edition was published in 2007, a third in 2014, and a fourth in 2019.

Further information about the Council, including a copy of its charter, is available on the Council's [webpage](#).