ASX Corporate Governance Principles and Recommendations

Draft 5th Edition Consultation Paper

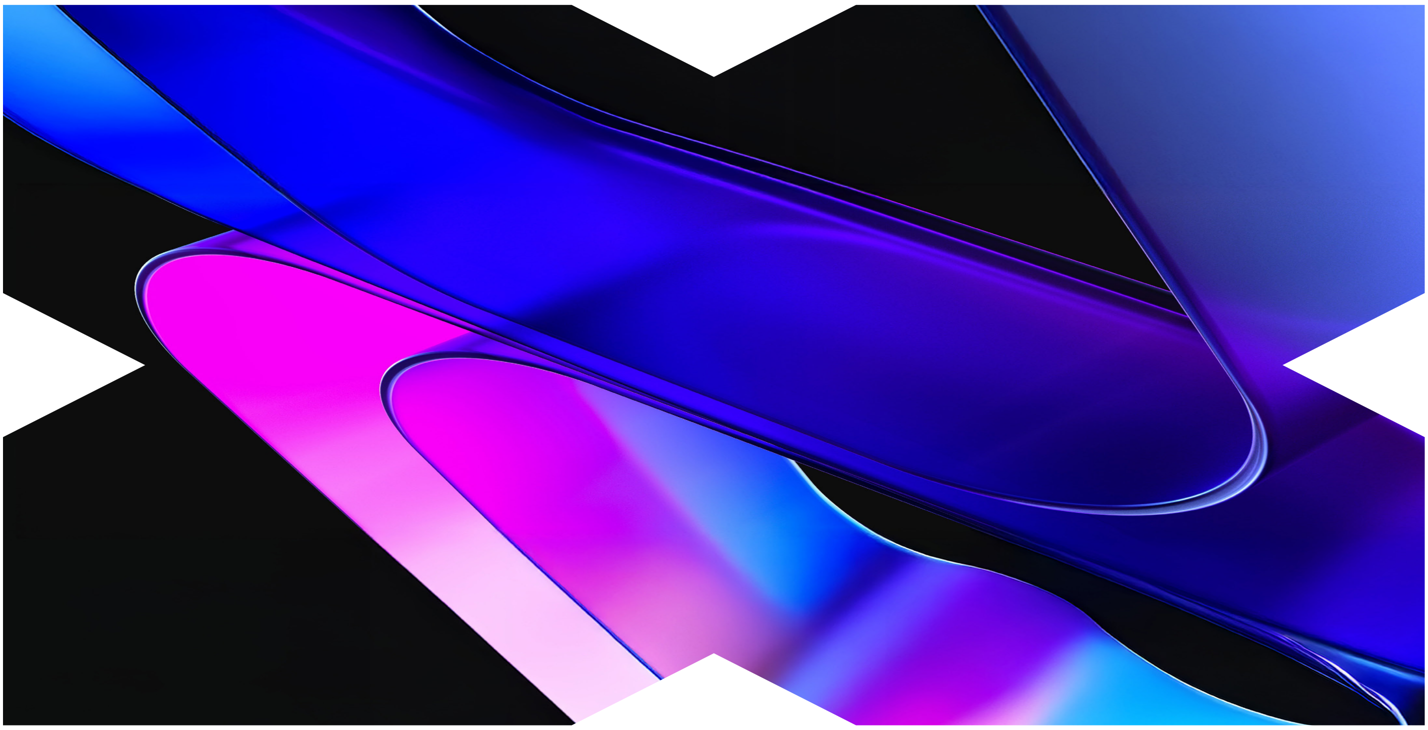
Mark-up of the consultation draft 5th edition Principles and Recommendations against the 4th edition of February 2019

How to read this mark-up of the consultation draft:

Insertions to the 4th Edition appear in blue underline

Deletions from the 4th edition appear in ~~red srikethrough~~

Moved text appears in green



July 2026

The 8 Principles

1. **Lay solid foundations for management and oversight**: ~~A~~The board of a listed entity should oversee the entity's strategy, performance, risk management and compliance. There should be a clear~~ly~~ delineat~~e~~ion of the respective roles and responsibilities of ~~its~~the board and management and regular~~ly~~ review of their performance.

2. **Structure the board to be effective~~ and add value: The board~~**: The directors of a listed entity should ~~be of an appropriate size and~~ collectively have ~~the skills, commitment~~a broad range of experience, skills and knowledge ~~of~~for the ~~entity and the industry in which it operates, to enable it~~ board to discharge its duties and responsibilities effectively. ~~and to add value~~Board composition should promote diversity of thought and independent judgment.

3. **Instil and reinforce a culture of acting lawfully,~~-~~ ethically~~-~~ and responsibly:** A listed entity should instil and ~~continually~~ reinforce a culture ~~across the organisation~~ of acting lawfully,~~-~~ ethically~~-~~ and responsibly.

4. **Safeguard the integrity of corporate reports:** ~~A~~The board of a listed entity should ~~have~~oversee appropriate processes to verify the integrity of its periodic corporate reports.

5. **Make timely~~ and~~, balanced and accurate disclosure:** A listed entity should have processes to ensure that it makes timely~~ and~~, balanced and accurate disclosure of all matters ~~concerning it~~ that a reasonable person would expect to have a material effect on the price or value of its securities.

6. **~~Respect~~Support the rights of security holders:** A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

7. **~~Recognise~~Understand and manage risk:** ~~A~~The board of a listed entity should ~~establish~~understand its material risks and oversee a sound risk management framework and the periodic~~ally~~ review of the effectiveness of that framework.

8. **Remunerate fairly and responsibly:** A listed entity should ~~pay director~~ remunerat~~ion~~e ~~sufficient to attract and retain high quality~~its directors and ~~design its~~ executives ~~remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for~~ fairly and responsibly. Remuneration and security hold~~ers~~ing ~~and~~arrangements should align with the entity's ~~values and~~strategic objectives, risk appetite and values.

Principle 1: Lay solid foundations for management and oversight

~~A~~The board of a listed entity should oversee the entity's strategy, performance, risk management and compliance. There should be a clear~~ly~~ delineat~~e~~ion of the respective roles and responsibilities of ~~its~~the board and management and regular~~ly~~ review of their performance.

***Why this Principle is important*:**

- Active board oversight of an entity's strategy, performance, risk management and compliance is fundamental to effective governance, supporting long-term value creation.
- A clear delineation between the responsibilities of the board and management promotes accountability, disciplined decision making and effective oversight of management.
- Delineation of responsibilities allows the board to oversee strategy, performance, risk management and compliance, and to focus on governance and the oversight of management, with management responsible for execution and operations.
- Regular evaluation of the board's and management's performance helps drive positive outcomes, including through identifying areas for improvement.

Recommendation 1.1~~:~~

A listed entity should clearly delineate the roles and responsibilities of board and management. It should have and disclose a board charter setting out:

~~a)~~ (a) the respective roles and responsibilities of its board and management; and

~~b)~~ (b) those matters expressly reserved ~~to~~for the board. ~~and those delegated to management.~~

Recommendation 1.2~~:~~

~~A listed entity should:~~

~~a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and~~

~~b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.~~

~~Recommendation 1.3:~~

~~A listed entity should have a written agreement with[1] each director and senior executive setting out the terms of their appointment[2]~~

~~Recommendation 1.4:~~

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

~~[1] The reference in this recommendation to a listed entity having a written agreement *with* a director or senior executive means having an agreement with the director or senior executive personally rather than with an entity supplying his or her services (see the commentary to this recommendation).~~

~~[2] It should be noted that a listed entity is required under listing rule 3.16.4 to disclose the material terms of any employment, service or consultancy agreement it or a child entity enters into with its CEO, any of its directors, and any other person or entity who is a related party of its CEO or any of its directors. It is also required to disclose any material variation to such an agreement.~~

Recommendation 1.~~5:~~3

A listed entity should:

~~a) have and disclose[3] a diversity policy;~~

~~b) through its board or a committee of the board[4] set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and~~

~~c) disclose in relation to each reporting period:~~

~~a. the measurable objectives set for that period to achieve gender diversity;~~

~~b. the entity's progress towards achieving those objectives; and~~

~~c. either:~~

~~i. the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or~~

~~ii. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.[5]~~

~~If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30%[6] of its directors[7] of each gender within a specified period.~~

~~**Recommendation 1.6:**~~

~~A listed entity should:~~

~~a)~~ (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

~~b)~~ (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

Recommendation 1.~~7:~~4

A listed entity should:

a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and

~~b)~~ (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

~~[3] An entity may redact from the disclosed copy of its diversity policy personal or confidential information such as the names and contact details of individual staff involved in diversity issues.~~

~~[4] If the board decides to delegate this role to a committee of the board (such as the nomination or remuneration committee), this should be reflected in the charter of the committee in question.~~

~~[5] The Workplace Gender Equality Act applies to non-public sector employers with 100 or more employees in Australia. The Act requires such employers to make annual filings with the Workplace Gender Equality Agency ("WGEA") disclosing their "Gender Equality Indicators". These reports are filed annually in respect of the 12 month period ending 31 March.~~

~~For an entity which chooses to follow recommendation 1.5(c)(3)(B), publishing the URL of the webpage on the WGEA website where its latest "Gender Equality Indicators" are available will be taken to meet that particular recommendation.~~

~~The Council notes that "Gender Equality Indicators" apply to individual employing entities and are not published on a consolidated basis across groups of entities. They also do not apply to employing entities with less than 100 employees in Australia, nor to employees overseas. As a practical matter, therefore, it may well be that many entities are not able to report meaningfully under recommendation 1.5(c)(3)(B) and should therefore report under recommendation 1.5(c)(3)(A).~~

~~For further information about the Workplace Gender Equality Act, see the WGEA website: http://www.wgea.gov.au/.~~

~~[6] For the avoidance of doubt, a listed entity may set a higher percentage than 30% and meet this recommendation.~~

~~[7] This includes both executive and non-executive directors.~~

Principle 2: Structure the board to be effective ~~and add value~~

~~The board~~The directors of a listed entity should ~~be of an appropriate size and~~ collectively have ~~the skills, commitment~~a broad range of experience, skills and knowledge ~~of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.~~for the board to discharge its duties and responsibilities effectively. Board composition should promote diversity of thought and independent judgment.

***Why this Principle is important*:**

- Having an effective board provides the foundation for long-term value creation.
- A board is likely to be more effective if it has a broad range of skills, diversity of perspective and has an appropriate degree of independence from management.
- Regular review and renewal of board skills and composition is fundamental to the board remaining effective in a constantly evolving business landscape.
- Independent directors bring objective judgment to board deliberations and assist in identifying and mitigating conflicts of interest. They support investor and stakeholder confidence by providing impartial oversight of the entity's governance, decision making and risk management.
- Transparent disclosure of the board's collective skills, diversity and independence enable investors to make an informed assessment of the board's composition, capability and independence.

Recommendation 2.1:

The board of a listed entity should:

~~a) have a nomination committee which:~~

~~1) has at least three members,[8] a majority of whom are independent directors; and~~

~~2) is chaired by an independent director,~~

~~and disclose:~~

~~1) the charter of the committee;~~

~~2) the members of the committee; and~~

~~3) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or~~

~~b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.~~

a) have a nomination committee with a charter and responsibility for considering succession ~~issues~~matters and ~~to~~ ensur~~e~~ing that the board has ~~the~~an appropriate balance of ~~skills, knowledge,~~collective experience, skills, independence and diversity.

b) The nomination committee should have at least three members. A majority of the members of the committee and its chair should be independent directors.

c) A listed entity should disclose the charter of its nomination committee, its members, the number of times the committee met throughout the reporting period and the number of meetings each member attended.

~~[8] The Council recognises that a number of listed entities have nomination committees comprising the entire board. Provided the nomination committee otherwise has an appropriate charter and meets as a committee outside of normal board meetings, this practice complies with recommendation 2.1(a).~~

Recommendation 2.2

~~A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.~~

a) The board of a listed entity should determine the collective skills, knowledge and experience it needs and assess whether it has them.

b) A listed entity should:

   i disclose the process for how the board assesses the collective skills, knowledge and experience of its directors and the outcome of this process;

   ii provide an induction program for new directors and support all directors in their professional development.

Recommendation 2.3

~~A listed entity should disclose~~

~~a) the names of the directors considered by the board to be independent directors;~~

~~b) if a director has an interest, position or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of, the director, the nature of the interest, position or relationship in question, and an explanation of why the board is of that opinion; and~~

~~c) the length of service of each director.~~

~~Box 2.3 – Factors relevant to assessing the independence of a director~~

~~Examples of interests, positions and relationships that might raise issues about the independence of a director of an entity include if the director:~~

- ~~is, or has been, employed in an executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the board;~~
- ~~receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the entity;~~
- ~~is, or has been within the last three years, in a material business relationship (eg as a supplier, professional adviser, consultant or customer) with the entity or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship;~~
- ~~is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;~~
- ~~has close personal ties with any person who falls within any of the categories described above; or~~
- ~~has been a director of the entity for such a period that their independence from management and substantial holders may have been compromised.~~

~~In each case, the materiality of the interest, position or relationship needs to be assessed by the board to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party.~~

a) The board should disclose how diversity in its composition is incorporated into board succession planning. This includes diversity of thought, experience, perspectives and gender.

b) For gender diversity, a listed entity should:

   i. have and disclose a measurable objective and timeframe for achieving gender diversity in the composition of the board; and

   ii. disclose the entity's progress in achieving the measurable objective in the reporting period.

c) If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board including non-executive and executive directors should be to have a percentage, of not less than 30% of women and 30% of men, within that timeframe.

Recommendation 2.4

~~A majority of the board of a listed entity should be independent directors.~~

A listed entity should:

a) have a board with a majority of independent directors; and

b) disclose which directors it considers to be independent directors and the length of service of each director. Where a director has interests, positions or relationships that the board considers could raise questions about their independence, the entity should disclose the nature of the interest, position or relationship in question, and explain why the board is of the opinion that these factors do not compromise that director's independence.

Recommendation 2.5~~:~~

The chair of the board ~~of a listed entity~~ should be an independent director and~~, in particular,~~ should not be the same person as the CEO of the entity.

Recommendation 2.6~~:~~

~~A~~When appointing a director, a listed entity should: ~~have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.~~

(a) undertake appropriate checks before appointing a director or putting someone forward for election as a director;

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director; and

(c) have a written agreement with each director, setting out the terms of their appointment.

Principle 3: Instil and reinforce a culture of acting lawfully, ethically and responsibly

A listed entity should instil and ~~continually~~ reinforce a culture[9] ~~across the organisation~~ of acting lawfully, ethically and responsibly.

***Why this Principle is important*:**

- Directors have a legal responsibility to act in the best interests of the entity.
- Acting lawfully and ethically provides a strong foundation for long-term value creation for the entity.
- A positive culture that is underpinned by clear strategic objectives and strong values helps entities succeed. Investors and other stakeholders will have greater confidence and trust in an entity that has a strong culture of doing the right thing that is reinforced by the board and senior executives.
- Better outcomes are likely to be achieved when the board oversees the entity's culture and its alignment with its strategic objectives and values.

Recommendation 3.1

~~A listed entity should articulate and disclose its values.~~

The board of a listed entity should act in the best interests of the entity. It should have regard to its security holders and other stakeholders and disclose its processes for engaging with them.

Recommendation 3.2

~~A listed entity should:~~

~~a) have and disclose[10] a code of conduct for its directors, senior executives and employees; and~~.

~~b) ensure that the board or a committee of the board is informed of any material breaches of that code.~~

A listed entity should articulate and disclose its board-approved values and code of conduct for its directors, senior executives and employees.

Recommendation 3.3

~~A listed entity should:~~

~~a) have and disclose[11] a whistleblower policy; and~~

~~b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.~~

~~**Recommendation 3.4**~~

~~A listed entity should:~~

~~a) have and disclose[12] an anti-bribery and corruption policy; and~~

~~[9] Listed entities may find the guidance in *Managing Culture: A good practice guide, First edition 2017* helpful. This is a joint publication of the Institute of Internal Auditors - Australia, The Ethics Centre, the Governance Institute of Australia and Chartered Accountants Australia and New Zealand.~~

~~[10] An entity may redact from the disclosed copy of its code of conduct personal or confidential information such as the names and contact details of individual staff involved in conduct issues.~~

~~[11] An entity may redact from the disclosed copy of its whistleblower policy personal or confidential information such as the names and contact details of individual staff involved in the whistleblower process.~~

~~[12] An entity may redact from the disclosed copy of its anti-bribery and corruption policy personal or confidential information such as the names and contact details of individual staff involved in anti-bribery and corruption issues.~~

A listed entity should reinforce a culture across the entity of acting lawfully, ethically and responsibly, consistent with the entity's values, strategy and risk appetite. It should:

a) ~~b)~~ensure that the board ~~or a committee of the board~~ is informed of any material breaches ~~of that policy.~~or trends in breaches of key policies supporting its culture (to the extent permitted by law); and

b) disclose the mechanisms the board has in place to monitor the entity's culture.

Principle 4: Safeguard the integrity of corporate reports

~~A~~The board of a listed entity should ~~have~~oversee appropriate processes to verify the integrity of its periodic corporate reports.

Why this Principle is important:

- Australia's public capital markets rely on investors and other stakeholders having access to high-quality information.
- Strong audit and assurance processes provide confidence to investors and other stakeholders in the integrity of corporate information.

Recommendation 4.1~~:~~

a) The board of a listed entity should~~:~~ have an audit committee~~,~~ with a charter and responsibilities to independently verify and safeguard the integrity of its periodic corporate reporting, including the processes for the appointment ~~and~~or removal of the external auditor and the rotation of the audit engagement partner.

b) ~~a)have an~~ The audit committee[13] ~~which:~~

~~1)~~ ~~has~~should have at least three members~~,~~. ~~a~~All ~~of whom are~~members should be non-executive directors, ~~and~~with a majority ~~of whom are~~being independent directors~~; and~~

~~2)~~ ~~is chaired by~~. The audit committee chair should be an independent director, who is not the chair of the board~~,~~.

c) ~~and~~A listed entity should disclose~~:~~

~~3)~~ the charter of ~~the~~its audit committee~~;~~ and

~~4)~~ the relevant qualifications and experience of ~~the~~its members. ~~of the committee; and~~

~~5)~~ It should disclose, as at the end of~~in relation to~~ each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings~~;~~ ~~or~~.

~~b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.~~

Recommendation 4.2~~:~~

~~The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.~~

~~[13] It should be noted that a listed entity which is included in the S&P All Ordinaries Index at the beginning of its financial year is required under listing rule 12.7 to have an audit committee for the entire duration of that financial year. If it is included in the S&P/ASX 300 Index at the beginning of its financial year, it must also comply with the structure and disclosure requirements in paragraph (a) of recommendation 4.1 for the whole of that financial year, unless it had been included in that index for the first time less than 3 months before the beginning of that financial year. An entity that is included in the S&P/ASX 300 Index for the first time less than 3 months before the first day of its financial year but did not comply with the structure and disclosure requirements in paragraph (a) of recommendation 4.1 at that date must take steps so that it complies with those requirements within 3 months of the beginning of the financial year.~~

~~Recommendation 4.3:~~

A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market ~~that is not audited or reviewed by an external auditor.~~, which may include the extent to which the report has been the subject of assurance.

Recommendation 4.3

A listed entity should disclose when the auditor was first appointed and when the engagement of the auditor was last comprehensively reviewed.

Principle 5~~:~~ Make timely ~~and~~, balanced and accurate disclosure

A listed entity should have processes to ensure that it makes timely ~~and~~, balanced and accurate disclosure of all matters ~~concerning it~~ that a reasonable person would expect to have a material effect on the price or value of its securities.

***Why this Principle is important*:**

- Disclosure promotes fair, equal and timely access to material price sensitive information and supports market confidence.
- Timely, balanced and accurate disclosure enables informed investment decisions.
- Accountability for disclosure is reinforced through effective internal escalation and disclosure processes.

Recommendation 5.1~~:~~

A listed entity should have and disclose[14] a written policy for complying with its continuous disclosure obligations ~~under listing rule 3.1~~.

Recommendation 5.2~~:~~

A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

Recommendation 5.3~~:~~

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

[14] ~~An entity may redact from the disclosed copy of its continuous disclosure policy personal or confidential information such as the names and contact details of individual staff involved in the disclosure process.~~

Principle 6: ~~Respect~~Support the rights of security holders

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

***Why this Principle is important*:**

- Security holders rely on access to timely, accurate and complete information to exercise their rights effectively.
- Two-way engagement allows security holders to directly voice concerns about the entity's performance, and for the board and management to respond appropriately, strengthening accountability.

Recommendation 6.1~~:~~

A listed entity should ~~provide~~set out information about itself and its governance ~~to investors via~~on its website.

Recommendation 6.2~~:~~

A listed entity should have an investor relations program that facilitates effective two-way communication with investors.~~[15]~~

Recommendation 6.3~~:~~

A listed entity should disclose how it facilitates ~~and encourages~~ participation at general meetings of security holders.

~~Recommendation 6.4:~~

~~A listed entity should ensure that all substantive16 resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.~~

~~Recommendation 6.5:~~

~~A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.~~

~~[15] References in this recommendation to communicating and interacting with security holders include, where securities are held by a custodian or nominee, communicating and interacting with the beneficial owner of the securities.~~

~~[16] This recommendation does not apply to procedural resolutions. Whether a poll is called on a procedural resolution is generally a matter for the chair of the meeting.~~

Principle 7: ~~Recognise~~Understand and manage risk

~~A~~The board of a listed entity should ~~establish~~understand its material risks and oversee a sound risk management framework and the periodic~~ally~~ review of the effectiveness of that framework.

***Why this Principle is important*:**

- An entity must take risk in order to succeed.
- Effective management and oversight of risk through strong processes is likely to deliver better outcomes.
- The board's periodic review of the risk management framework helps the framework remain relevant in a changing world.
- Investors and other stakeholders are better able to understand a business conducted by an entity when they are able to understand the key risks and opportunities that the business faces.

Recommendation 7.1~~:~~

The board of a listed entity should~~:~~

a) have a committee(s) which oversee risk, with responsibilities to oversee~~ing~~ the entity's risk management and internal control frameworks.

~~a) have a committee or committees to oversee risk,[17] each of which:~~

b) ~~1)has~~Such committee(s) should have at least three members~~,~~. ~~a~~A majority of ~~whom are~~the members of the committee and its chair should be independent directors~~;~~. ~~and~~

~~2) is chaired by an independent director,~~

c) ~~and~~A listed entity should disclose~~:~~

~~3)~~ the charter of ~~the~~each risk committee~~;~~, its

~~4) the~~ members~~ of the committee; and~~

~~5) as at the end of each reporting period~~, the number of times the committee met throughout the reporting period and the ~~individual attendances of the members at those meetings; or~~number of meetings each member attended.

~~b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.~~

Recommendation 7.2~~:~~

The board or a board committee ~~of the board~~[18] should:

a) review the entity's risk management and internal control frameworks at least annually to satisfy itself that ~~it~~:

i. the frameworks continue~~s~~ to be sound~~ and that~~, including by addressing the entity's material risks; and

ii. the entity is operating with due regard to the risk appetite set by the board; and

b) disclose, in relation to each reporting period, whether such a review has taken place.

~~[17] The risk committee(s) could be a stand-alone risk committee, a combined audit and risk committee or a combination of board committees addressing different elements of risk. Where it is a combination of committees, the listed entity should disclose how it has divided the responsibility for overseeing risk between those different committees.~~

~~[18] If the board decides to delegate this role to a committee of the board, this should be reflected in the charter of the committee in question.~~

Recommendation 7.3~~:~~

A listed entity should disclose:

a) ~~if~~whether it has an internal audit function and, if it does, how the function is structured; and ~~what role it performs; or~~

b) ~~if it does not have an internal audit function, that fact and~~ the process~~es~~ it employs for ~~evaluating and continually improving~~assuring the board of the effectiveness of ~~its~~the entity's governance, risk management and internal control ~~processes~~frameworks and making recommendations for improvements.

Recommendation 7.4~~:~~

A listed entity should disclose ~~whether it has any material exposure[19] to environmental or social~~ (unless unreasonably prejudicial):

a) its material risks~~[20]~~; and~~,~~ ~~if it does,~~

b) how it manages or intends to manage those risks.

~~[19] "Material exposure" in this context means a real possibility that the risk in question could materially impact the listed entity's ability to create or preserve value for security holders over the short, medium or longer term.~~

~~[20] The terms "environmental risks" and "social risks" are defined in the glossary.~~

Principle 8: Remunerate fairly and responsibly

A listed entity should ~~pay director~~ remunerate~~ion~~ ~~sufficient to attract and retain high quality directors, and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders' and with the entity's values and risk appetite.~~ its directors and senior executives fairly and responsibly. Remuneration and security holding arrangements should align with the entity's strategic objectives, risk appetite and values.

Why this Principle is important:

- Remuneration structures often influence conduct, retention and performance, so it is important to align incentives to support long-term value creation.
- Board oversight of senior executive remuneration policy and outcomes supports accountability and investor confidence in the entity.
- To help attract and retain suitably qualified non-executive directors, levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of the role.
- Non-executive director ownership of the entity's securities helps to align their interests with security holders' and the entity's long-term interests.

Recommendation 8.1~~:~~

a) The board of a listed entity should~~:~~

~~a)~~ have a remuneration committee[21] ~~which:~~with a charter and responsibilities to review and make recommendations to the board about the level and ~~composition~~structure of remuneration for directors and senior executives, ~~and~~to ensur~~ing~~e that such remuneration is fair and reasonable.

b) ~~1)has~~The remuneration committee should have at least three members~~,~~. ~~a~~A majority of ~~whom are~~the members of the committee and its chair should be independent directors~~; and~~.

~~2) is chaired by an independent director,~~

c) ~~and~~A listed entity should disclose~~:~~

~~3)~~ the charter of ~~the~~its remuneration committee~~;~~, its

~~4) the~~ members ~~of the committee; and~~

~~5) as at the end of each reporting period~~, the number of times the committee met throughout the reporting period and the ~~individual attendances of the members at those meetings; or~~number of meetings each member attended.

~~b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.~~

Recommendation 8.2~~:~~

~~A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.~~

A listed entity should have the ability to adjust performance-based remuneration outcomes of its senior executives downwards when appropriate.

Recommendation 8.3~~:~~

~~[21] It should be noted that a listed entity which is included in the S&P/ASX 300 Index at the beginning of its financial year is required under listing rule 12.8 to have a remuneration committee comprised solely of non-executive directors for the entire duration of that financial year.~~

A listed entity ~~which has an equity-based remuneration scheme should:~~should:

a) ~~have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme;~~[22] ~~and~~remunerati~~on~~ ~~of~~e its non-executive directors by way of only fixed fees (cash and/or shares or units) and superannuation contributions to reflect their time commitment and responsibilities; and

b) disclose ~~that policy or a summary of it.~~its approach to non-executive director ownership of securities.

[22] ~~It should be noted that section 206J of the Corporations Act prohibits the key management personnel of an ASX listed company established in Australia, or a closely related party of such personnel, from entering into an arrangement that would have the effect of limiting their exposure to risk relating to an element of their remuneration that either has not vested or has vested but remains subject to a holding lock.~~

Additional ~~r~~Recommendations that apply ~~only in certain cases~~primarily to entities established outside Australia

~~The following additional recommendations apply to the entities described within them.~~

***Why these Recommendations are important*:**

- These Recommendations substantially replicate requirements that apply under law to entities established in Australia and therefore may not apply to entities established outside Australia. This helps create a level playing field and common good governance practices across the Australian market.

Recommendation 9.1~~:~~

A listed entity, whether established outside or inside Australia, with a director who does not speak the language in which board or security holder meetings are held or key corporate documents[23] are written should disclose the processes it has in place to ensure the director can understand~~s and can~~those meetings and documents, contribute effectively to ~~the~~ discussions ~~at those meetings and understands and can~~and properly discharge their obligations in relation to those documents.

Recommendation 9.2~~:~~

A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.

Recommendation 9.3~~:~~

The board of a listed entity established outside Australia should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion~~,~~:

a) the financial records of the entity have been properly maintained; and ~~that~~

b) the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity.

~~A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.~~

Recommendation 9.4

A listed entity established outside Australia should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

Recommendation 9.5

A listed entity established outside Australia should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Recommendation 9.6

A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

~~[23] "Key corporate documents" include an entity's constitution, prospectus, PDS, corporate reports and continuous disclosure announcements.~~

Recommendation 9.7

A listed entity established outside Australia which has an equity-based remuneration scheme should have and disclose a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme or a summary of any other processes or terms which relate to these matters.

The application of the ~~r~~Recommendations to externally managed listed entities

~~As noted previously, s~~Some ~~r~~Recommendations in Part I of this document require modification when applied to externally managed listed entities.[24]

Investors in an externally managed listed entity generally invest in the ~~listed~~ entity on the basis of the management expertise of the responsible entity. In that context, an appropriate line needs to be drawn between corporate governance matters affecting the responsible entity, which will primarily be a concern for the board and security holders of the responsible entity, and corporate governance matters affecting the listed entity.

Recommendations that apply to externally managed listed entities

Recommendations 2.~~3~~2, 2.4(b), 3.1, 3.2, 3.3, ~~3.4,~~ 4.1, 4.2, 4.3, 5.1, 5.2, 5.3, 6.1, 6.2, 6.3, ~~6.4, 6.5,~~ 7.1, 7.2, 7.3~~ and~~, 7.4, 9.3, 9.4, 9.5, apply to an externally managed listed entity.

Recommendation 9.~~3~~6 will also apply to an externally managed listed entity that has an AGM.

The disclosures in relation to ~~r~~Recommendations 2.~~3~~ 2 (director skills), 2.4 (disclosure of independent directors), 3.1 (~~values~~best interests), 3.2 (values and code of conduct)~~, 3.3 (whistleblower policy) and 3.4 (anti-bribery and corruption policy)~~ should be made in relation to the responsible entity in its corporate capacity. In the case of ~~recommendation 2.3,~~ Recommendations 2.2 and 2.4, the collective skills and independence respectively should be assessed and disclosed vis-à-vis the responsible entity rather than the listed entity.

The disclosures in relation to ~~r~~Recommendations 3.3 (culture), 5.1 (disclosure policy), 5.2 (copies of announcements to board), 5.3 (investor and analyst presentations), 6.3 (facilitate participation at meetings of security holders), ~~6~~7.4 (material risks), 9.4 (vote by poll rather than show of hands), ~~6~~9.5 (electronic communications) ~~and 7.4 (environmental and social risks)~~ should be made in relation to the listed entity being managed by the responsible entity.

The disclosures in relation to ~~r~~Recommendations 4.1 (audit committee), 4.2 (verification of periodic corporate reports), 4.3 auditor disclosures), 6.1 (website disclosures), 6.2 (investor relations), 7.1 (risk committee), 7.2 (annual risk review) and 7.3 (internal audit), 9.3 (CEO and CFO certification of financial statements)~~, 4.3 (verification of corporate reports), 6.1 (website disclosures), 6.2 (investor relations), 7.1 (risk committee), 7.2 (annual risk review) and 7.3 (internal audit)~~ should be made in relation to the specific processes and facilities the responsible entity has put in place to perform its role as the manager of the listed entity.

In relation to ~~r~~Recommendations 4.1 (audit committee) and 7.1 (risk committee), if the entity is a listed trust with a compliance committee,[25] the board of the responsible entity may instead of establishing a separate audit or risk committee, adapt the role of the compliance committee to cover the responsibilities that would ordinarily be undertaken by the audit or risk committee. If it does so, it should make the disclosures mentioned in ~~r~~Recommendations 4.1~~(a)~~ and 7.1~~(a)~~ in relation to the compliance committee.

In addressing ~~r~~Recommendation 7.2 (annual risk review), the board of the responsible entity should have regard to the guidance given by ASIC about the obligation[26] of a responsible entity to maintain adequate risk management systems in Regulatory Guide 259 Risk management systems of ~~*responsible entities*~~fund operators.

Recommendations that do not apply to externally managed listed entities

Recommendations 1.1, 1.2, 1.3, 1.4, ~~1.5, 1.6, 1.7,~~ 2.1, 2.2~~2~~3, 2.4(a), 2.5, 2.6, 8.1, 8.2, 8.3, 9.1, 9.2 and 9.~~2~~7 do not apply to an externally managed listed entity. The entity may simply state that these ~~r~~Recommendations are “not applicable” in its corporate governance statement.

Additional disclosures that an externally managed listed entity should make

In lieu of ~~r~~Recommendation 1.1, an externally managed listed entity should instead comply with the following alternative ~~r~~Recommendation:

~~24 “Externally managed listed entity” is defined in the glossary.~~

~~25 Under section 601JA(1) of the Corporations Act, the responsible entity of a registered managed investment scheme is required to establish a compliance committee if less than half of the directors of the responsible entity are “external directors” (as defined in section 601JA(2) of that Act).~~

~~26 See section 912A(1)(h) of the Corporations Act.~~

Alternative to ~~r~~Recommendation 1.1 for externally managed listed entities:

The responsible entity of an externally managed listed entity should disclose:

a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and

b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.

In lieu of ~~r~~Recommendations 8.1, 8.2, 8.3 and ~~8.3~~9.7, an externally managed listed entity should instead comply with the following alternative ~~r~~Recommendation:

Alternative to ~~r~~Recommendations 8.1, 8.2, 8.3 and ~~8.3~~9.7 for externally managed listed entities:

An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.

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