



Public consultation -
Fifth Edition of ASX
Corporate Governance
Council's *Corporate
Governance Principles and
Recommendations*

Presenters

Elizabeth Johnstone – Chair, ASX Corporate Governance Council

Daniel Moran – Chief Compliance Officer, ASX

Giri Tenneti – Senior Manager, Listed Company Services, ASX

Agenda

1. Introduction - Giri Tenneti
2. About the ASX Corporate Governance Council - Elizabeth Johnstone
3. Corporate Governance Council's *Corporate Governance Principles and Recommendations* 5th edition consultation draft – Elizabeth Johnstone and Daniel Moran
4. Q&A

Elizabeth Johnstone

Independent Chair – ASX Corporate Governance Council

Elizabeth Johnstone has been the independent Chair of the ASX Corporate Governance Council since 2017. The Fifth Edition of the *Corporate Governance Principles and Recommendations* will be her second edition as Chair. She was also a member of two of the inaugural Council working parties in 2001 and 2002.

Since 1985, Elizabeth has served on the boards of publicly listed, private, government, regulator, for purpose and member-based organisations, across a variety of sectors.

In her past legal career as a Corporate Partner and practice head for Company Law and Governance at Blake Dawson (now Ashurst), she focused on corporate advisory work for listed companies and commercialisation and outsourcing for government bodies.

Throughout her career she has worked, and has been an invited speaker, on governance issues in multiple countries. Elizabeth worked on the OECD and American Bar Association corporate governance guidelines. Recently, she contributed to the project conducted by the Cambridge University's Institute for Sustainability Leadership on the future of boards.

ASX Corporate Governance Council

- Independent body, with an independent Chair
- Makes recommendations on good corporate governance practices for ASX-listed entities
- 19 members representing issuers, investors, brokers, corporate advisers, directors and other market stakeholders
- Model of broad consensus

Association of Superannuation Funds of Australia Limited

ASX Limited

Australasian Investor Relations Association

Australian Council of Superannuation Investors

Australian Institute of Company Directors

Australian Shareholders' Association

Business Council of Australia

Chartered Accountants Australia and New Zealand

CPA Australia Ltd

Financial Services Council

Financial Services Institute of Australasia

Governance Institute of Australia

Group of 100

Institute of Internal Auditors - Australia

Institute of Public Accountants

Insurance Council of Australia

Law Council of Australia

Property Council of Australia

Stockbrokers and Investment Advisers Association

Corporate Governance Principles and Recommendations

- First edition released in 2003
- Four editions published to date
- Eight core Principles, with Recommendations and commentary for each
- “If not why not” approach provides flexibility and transparency

Consultation Draft for the Fifth Edition

- Work underway since 2022
- Council’s drafting committee has included most members and provided a range of perspectives
- 15 Council and drafting committee meetings held since March 2023
- Strong engagement and contributions from all members through this process
- **Consultation open until 6 May 2024. Online submission process.**

How the Consultation Draft compares with the Fourth Edition

4th Ed.

- Issued 2019, after *Royal Commission into Misconduct into the Banking, Superannuation and Financial Services Industry*
- 8 Principles
- 35 general Recommendations
- 3 additional Recommendations that apply only in limited cases

Consultation
Draft

- Responds to evolving investor and community expectations, and recognises developments in public policy and regulatory reforms.
- Reinforces entities' frameworks. Not creating parallel regulatory regimes.
- Maintains 8 Principles, with some changes to expression
- 33 general Recommendations
- 7 additional Recommendations that apply only in limited cases

Some key changes: Reducing regulatory overlap

Changes to reduce overlap, including with Corporations Act

- CEO / CFO declarations for financial statements
- Shareholder resolutions and communications
- Remuneration reporting and hedging policy
- Anti bribery / corruption
- Whistle blowing

Some of these now appear as additional Recommendations which apply to listed entities established outside Australia



Some key changes: Board skills disclosure

Recommendation 2.2:

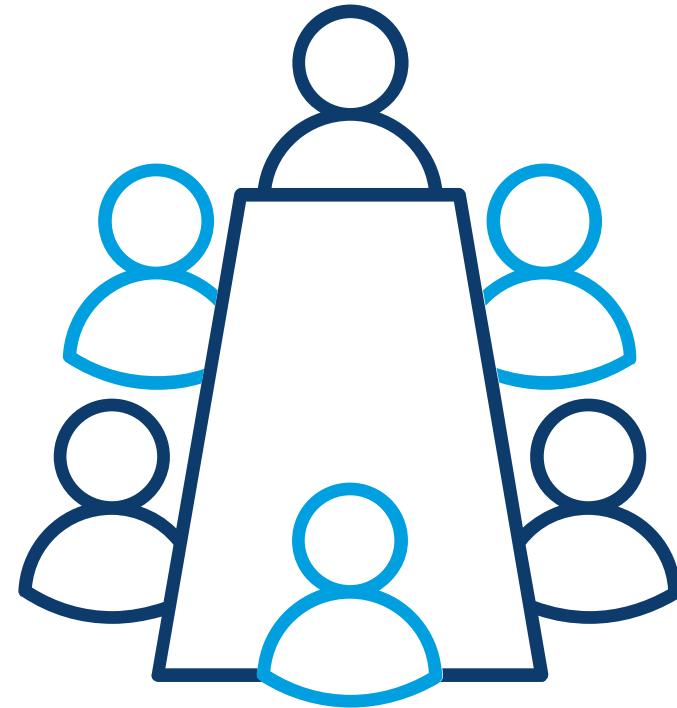
- Disclosure of current skills and skills looking to achieve in Board membership
- Disclosure of processes for assessing Board skills
- Commercially sensitive information may still be excluded



Some key changes: Board diversity and disclosure

New Recommendation 2.3:

- Disclose Board's gender diversity target and the entity's timeframe for achieving it, and progress over the reporting period
- If the Board is considering other relevant diversity characteristics, these should be disclosed for transparency to investors
- Increasing S&P/ASX300 Board gender diversity target to 40/40/20, within a period specified by the entity
- Note the Council does not set a target for other diversity characteristics – disclosure of a target is only if the Board has set a target itself



Some key changes: Values, culture and Code of Conduct



Recommendations 3.1 and 3.2:

- Commentary on link between values, purpose, strategy and risk appetite
- Entities may consider articulating their purpose, to help contextualise their disclosed values
- Recommendation to disclose outcomes following material breaches of the Code of Conduct
- This disclosure recommended to be de-identified

Some key changes: Stakeholder relationships

New Recommendation 3.3:

- New Recommendation that a listed entity should have regard to the interests of its key stakeholders
- Who are “key stakeholders”? – Determined by the entity
- What is “having regard”? – Council recommends engagement and reporting material issues to Board. Otherwise determined by the entity
- Commentary that having regard to key stakeholder interests should be consistent with long-term interests of security holders
- Stakeholders are recognised throughout the Consultation Draft



Some key changes: Corporate reporting and assurance

Recommendation 4.2 (previously 4.3) and new Recommendation 4.3:

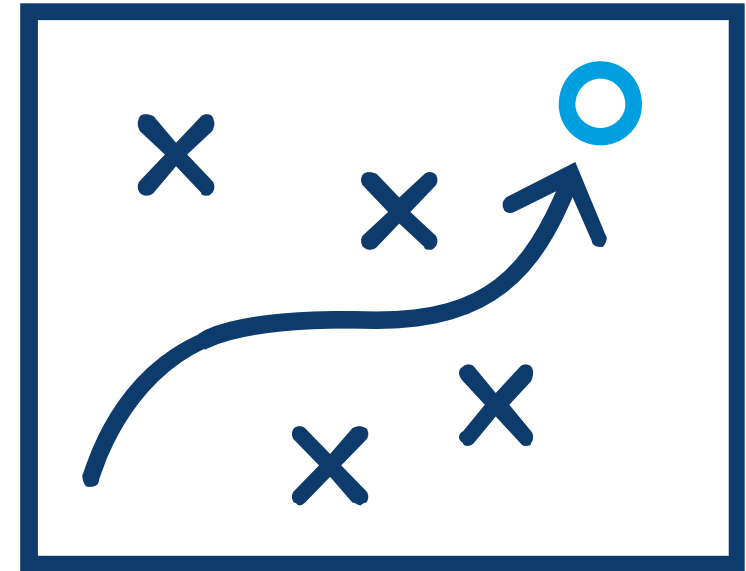
- Disclose any external assurance of periodic corporate reports, not only audit
- This would include climate / sustainability reports, if prepared
- Disclose auditor tenure and outcomes of review of auditor engagement



Some key changes: Risk management

Recommendation 7.4

- Disclosure of all material risks, rather than identifying specific risks for all entities to report against
- Encourages enhanced quality of existing reporting of material risks to business models and strategy (such as reporting of material risks required for an operating and financial review)
- Includes references to governance risk, in addition to environmental and social risks. However, separate reporting against each category of ESG is not required.
- Does not require sustainability reporting, although concepts may help entities develop reporting.



Some key changes: Remuneration



New Recommendation 8.2:

- Recommendation that Non-executive Directors do not receive performance based remuneration or retirement benefits – based on current commentary

New Recommendation 8.3:

- Recommendation to have clawback arrangements for executives and related disclosure of outcomes (on a de-identified basis)

Next Steps

Consultation open until 6 May.

Online submission process:

<https://www.asx.com.au/about/regulation/asx-corporate-governance-council/reviews-and-submissions>

Council will have regard to all feedback and aim to finalise the Fifth Edition for release by early 2025.

Potentially will have effect for financial years commencing on or after 1 July 2025. Subject to stakeholder consultation and ASX confirmation.

Q&A

Thank you.