2 May 2018

Consultation on a proposed fourth edition of the Corporate Governance Principles and Recommendations

The ASX Corporate Governance Council (the “Council”) is consulting on proposals to update and issue a fourth edition of its Corporate Governance Principles and Recommendations (the “Principles and Recommendations”). The closing date for submissions is Friday 27 July 2018.

While the standards of corporate governance in Australia remain high by international standards, the Council recognises the need to regularly assess and evolve the Principles and Recommendations to address emerging domestic and global issues in corporate governance.

In May 2017, the Council resolved to commence work on a fourth edition of the Principles and Recommendations to address a number of such issues, including:

- social licence to operate;
- corporate values and culture;
- whistleblower policies;
- anti-bribery and corruption policies;
- an apparent slowing in the rate of progress in achieving gender diversity at board level;
- a recommendation from the Senate Economics References Committee for increased guidance around carbon risk;
- cyber-risks; and
- other areas for improvement identified by KPMG in a review commissioned by the ASX Education and Research Program on the adoption of the recommendations in the third edition of the Principles and Recommendations.

The Council’s proposed changes anticipated and respond to some of the governance issues identified in recent enquiries, such as the Hayne Royal Commission.


- a consultation paper entitled Review of the ASX Corporate Governance Council’s Principles and Recommendations;
- a consultation draft of the fourth edition of the Principles and Recommendations; and
- a mark-up of the consultation draft against the third edition.

The consultation draft retains the same eight core principles in the third edition, although the Council is proposing to make significant changes to principle 3 (a listed entity should act ethically and responsibly) to address emerging issues around corporate values and culture, and social licence to operate. It is proposed to re-word this principle as “a listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and in a socially responsible manner”.

The Council proposes to expand the number of recommendations from 29 in the third edition to 38 in the fourth edition. The new recommendations and their rationale are explained in the consultation paper.
The Council welcomes submissions from all interested parties on the proposed changes to the *Principles and Recommendations*. The consultation period is open until Friday, 27 July 2018.

It is currently envisaged that the Council will release the final version of the fourth edition of the *Principles and Recommendations* early in calendar 2019, after it has had an opportunity to consider and reflect on the feedback received in the consultation process.

On this timeline, the fourth edition of the *Principles and Recommendations* is expected to come into effect for an entity’s first full financial year commencing on or after 1 July 2019. Entities with a 30 June balance date will therefore be expected to benchmark their governance practices with the fourth edition commencing with the financial year ended 30 June 2020, while entities with a 31 December balance date will be expected to do so commencing with the financial year ended 31 December 2020.

On behalf of the Council, ASX will be conducting a national road show in June 2018 to inform and seek feedback from listed entities and other interested stakeholders about the proposed changes to the *Principles and Recommendations*. Dates and venues will be released in the next few weeks.

**Elizabeth Johnstone, Chair**  
**ASX Corporate Governance Council**

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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 and a third in 2014.

Further information about the Council, including a copy of its charter, is available at:  