

ASX Corporate Governance Principles and Recommendations

5th Edition Consultation

Reporting update

21 March 2024, 24RU-03



Evolving investor & community expectations

Proposed changes to corporate conduct, culture, management of risk, stakeholder relationships, reporting and remuneration

Financial years commencing on or after 1 July 2025

Submissions due 6 May 2024

Highlights

- Key proposed changes
- Anticipated release date

The ASX *Corporate Governance Principles and Recommendations* (Principles and Recommendations) were last updated in 2019. Investor and community expectations have evolved significantly over the past five years, particularly with respect to corporate conduct, culture, risk management, stakeholder relationships, reporting, and key management personnel remuneration.

On 27 February 2024 the ASX Corporate Governance Council released its Consultation Draft for the 5th Edition of the Principles and Recommendations. The proposed changes aim to strengthen listed entities' governance and increase transparency for investors. The consultation materials are available from the [ASX website](#).

The Principles and Recommendations apply to all ASX listed entities, and although not mandatory, where the Board of a listed entity chooses not to follow a particular recommendation, it must explain – the “if not, why not” approach.

The Principles and Recommendations reflect a ‘best practice’ view of appropriate corporate governance standards that entities may find useful when framing their own corporate governance policies and practices.

Key proposed changes

The proposed updated Principles and Recommendations retain the eight core principles from the 4th Edition with 33 General Recommendations (reduced from 35 currently). There are seven additional recommendations (up from three) that apply only in certain cases. The changes are summarised as follows:

- [Table 1](#) sets out the proposed **new or amended** General Recommendations to apply to all listed entities.
- [Table 2](#) sets out the General Recommendations that are proposed to **no longer apply** all listed entities given there is already significant regulation by Australian law in these areas. Some of these proposed deletions will instead only apply to entities established outside of Australia.

Anticipated release date

- The 5th Edition is anticipated to be issued in early 2025. It is likely to take effect for financial years commencing on or after 1 July 2025.
- The consultation draft includes a number of consultation questions and feedback is sought by **6 May 2024**.

Table 1: New or amended General Recommendations proposed to apply to all listed entities

Principle	Recommendation	A listed entity should	Comment
2. Structure the board to be effective and add value	2.2	Have and disclose a board skills matrix and disclose its process for assessing that its directors have the relevant skills and experience.	Amended to highlight the importance of both collective and individual director skills.
	2.3	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> Have and disclose a measurable objective and timeframe for achieving gender diversity in board composition; Disclose the progress in achieving the measurable objective in the reporting period; and Disclose any relevant board diversity characteristics considered. <p>The measurable objective for achieving gender diversity in the composition of its board should be to have a gender balanced board (at least 40% women/at least 40% men/up to 20% any gender) if the entity was in the S&P/ASX 300 Index at the commencement of the reporting period.</p>	Provide an understanding of how a board broadens its perspectives.
	2.4	Consider a security holding interest of 10% or more when assessing the independence of directors.	Increasing from the previous 5% or more threshold.
3. Instill a culture of acting lawfully, ethically and responsibly	3.2(c)	Disclose outcomes of actions taken (on a de-identified basis) in response to material breaches of the code of conduct during the last reporting period.	Promote a strong corporate culture while balancing transparency.
	3.3	Have regard to the interests of the entity's key stakeholders, have a process to engage with them and to report material issues to the board.	Have regard to key stakeholder's interests including a process of engagement.
	3.4	<p>Have and disclose a diversity and inclusion policy.</p> <p>Through its board or a board committee set measurable objectives for achieving gender diversity in the composition of its workforce including the senior executive team.</p> <p>Disclose the effectiveness of such practices at each reporting period.</p>	Draw out and understand effectiveness of diversity and inclusion practices.

Source: ASX Corporate Governance Council Principles and Recommendations 5th Edition Consultation Draft



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24RU-03 Release of ASX Corporate Governance Principles and Recommendations 5th Edition

Consultation

Table 1: New or amended General Recommendations proposed to apply to all listed entities (continued)

Principle	Recommendation	A listed entity should	Comment
4. Safeguard the integrity of corporate reports	4.2	Disclose its process to verify the integrity of any periodic corporate reports released to the market including the extent to which it has been audited or otherwise the subject of assurance by an external assurance practitioner.	Expands requirement to all periodic corporate reports given range of information increasingly expected to be reported on, such as forthcoming sustainability reporting.
	4.3	Disclose the tenure of the audit firm and audit engagement partner as at the end of the reporting period and when the appointment was last comprehensively reviewed and the outcomes of the review.	New disclosure recommendation. Does not require any new rotation or time limit for auditor tenure.
7. Recognised and manage risk	7.4	Disclose its material risks including environmental, social and governance risks and how it manages or intends to manage those risks.	Expanded disclosure. 4th edition only referred to environmental and social risks.
8. Remunerate fairly and responsibly	8.2	Not give performance-based remuneration or retirement benefits to non-executive directors.	Reflects and simplifies existing commentary in the 4th Edition.
	8.3	Have remuneration structures which can clawback or otherwise limit performance-based remuneration outcomes of its senior executives after award, payment or vesting; and Disclose (on a de-identified basis) the use of those provisions during the reporting period.	To promote good governance and transparency for key stakeholders.

Source: ASX Corporate Governance Council Principles and Recommendations 5th Edition Consultation Draft

Table 2: Existing General Recommendations to be removed

Principle	Recommendation	An Australian entity should	Comment
3. Instill a culture of acting lawfully, ethically and responsibly	3.3	Have and disclose a whistle-blower policy and ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	Proposed to be deleted on the basis that there is significant regulation under Australian law.
	3.4	Have and disclose an anti-bribery and corruption policy and ensure that the board or a committee of the board is informed of any material breaches of that policy.	
4. Safeguard the integrity of corporate reports	4.2	Receive from its CEO and CFO a declaration that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view before approving the entity's financial statements. ¹	
6. Respect the rights of security holders	6.4	Ensure all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. ²	
	6.5	Give securityholders the option to receive communications from and send communications to the entity and its security registry electronically. ³	
8. Remunerate fairly and responsibly	8.2	Separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	
	8.3	A listed entity which has an equity-based remuneration scheme, should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme; and Disclose a policy or a summary of it. ⁴	

Source: ASX Corporate Governance Council Principles and Recommendations 5th Edition Consultation Draft

¹ General recommendation proposed to no longer apply to listed entities established in Australia. Would continue to apply to entities established outside of Australia under Principle 9.3.

² General recommendation proposed to no longer apply to listed entities established in Australia. Would continue to apply to entities established outside of Australia under Principle 9.4.

³ General recommendation proposed to no longer apply to listed entities established in Australia. Would continue to apply to entities established outside of Australia under Principle 9.5.

⁴ General recommendation proposed to no longer apply to listed entities established in Australia. Would continue to apply to entities established outside of Australia under Principle 9.7.



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